





# UN challenges power of gun in Bosnia

By Robert Mauthner,  
Diplomatic Editor

THE United Nations plans to ignore the objections of local Muslim military leaders by attempting to evacuate another 15,000 refugees from the besieged eastern Bosnian town of Srebrenica.

Mr José María Mendiluce, the special envoy of the UN High Commissioner for Refugees (UNHCR), said yesterday that the situation in Srebrenica had turned into a test case for the UN that would indicate whether its priority was to save lives.

Local Muslim leaders on Sunday prevented a UNHCR convoy, which had brought in relief supplies to Srebrenica from allowing refugees to board trucks to take them to the relative safety of Tuzla.

However, Mr Mendiluce said the situation in Srebrenica, which is in range of Serb artillery, was desperate. The ceasefire had been broken in many areas yesterday and the Muslim front lines were being slowly but surely squeezed by the Serb forces.

Mr Mendiluce said there were a total of 60,000 people in the Srebrenica region, of which 25,000 to 30,000 were in or near the town, besieged by the Serbs for the past year. The present population could not be settled in Srebrenica in any case, and the UNHCR's objective was to evacuate a

further 10,000 to 15,000 people, to add to the 5,000 it had taken out last month.

UN officials denied, however, that by evacuating more people from Srebrenica, they were in effect contributing to the Serb policy of so-called "ethnic cleansing", the expulsion of Muslims from towns and enclaves which the Serbs

**An estimated 150,000 Bosnians have either been killed or reported missing since the civil war broke out a year ago today**

claim as part of their own territory. A UNHCR spokesman said the UN was not evacuating residents of Srebrenica, a town whose population has been inflated by the influx of tens of thousands of refugees, but only those who had fled there after other Muslim areas had been captured by the Serb militia.

Though the Bosnian president, Mr Alija Izetbegovic, said on Sunday that he would allow the evacuation and order local Bosnian army commanders to let the retreating relief convoys load up with refugees, the UNHCR said yesterday it was not sending in a convoy before it was clear that

the president's orders would be carried out. Meanwhile, the military commanders of the Muslim, Serb and Croat warring parties in Bosnia, are due to meet under UN auspices in Sarajevo today, to try to consolidate a fragile eight-day ceasefire in the conflict.

An estimated 150,000 Bosnians have been killed or have been reported missing, while hundreds of thousands of others have been driven out of their homes and taken refuge in other parts of the former Yugoslavia or abroad, since the civil war started one year ago today. General Philippe Morillon, the UN commander in Bosnia, said yesterday the Bosnian Muslims had only agreed to attend if the Serbs halted attacks on Srebrenica.

Months of preparation have gone into the agenda of the military commanders' meeting, which includes discussions on the demilitarisation of Sarajevo and protected corridors for the free movement of civilians.

A mixed military working group of staff officers from the rival factions has reached agreement in principle on many essential points in a series of meetings since last November. Implementation of these agreements could be the first step towards the realisation of the peace plan drawn up by the international mediators, Mr Cyrus Vance and Lord Owen.



A Sarajevo resident walking among ruins yesterday as the city marks a full year under siege

## Oslo begins high-stakes game with EC

By David Gardner  
in Luxembourg

FORMAL negotiations on Norway's fourth attempt to join the European Community opened in Luxembourg yesterday, with the Norwegian government outlining tough opening positions on energy, agriculture and fisheries, regional policy, and how quickly it should become a net contributor to the EC budget.

Norway is expected to catch up with the EC accession negotiations begun in February with Austria, Sweden and Finland by the end of the month. The aim is to conclude the four processes in parallel in time for referendums in each country next year, and entry in 1995.

But senior Norwegian and EC officials believe Oslo's application could be the most politically complex to accommodate. After twice having applications rebuffed in 1961 and 1967, Norwegian voters rejected entry in 1972, just before the UK, Denmark and Ireland joined the EC. At yesterday's televised opening of the talks, Mr Niels Helveg Petersen, foreign minister of Denmark, which currently chairs the EC, stressed that Norway would have to accept not only all existing EC laws and regulations, but the Maastricht treaty too.

Denmark, along with the UK, has still to ratify Maastricht, and both countries have secured opt-outs from its provisions being denied the new applicants. Norway, which unlike its neutral fellow applicants is a

Nato member, yesterday accepted the Maastricht goals of a common EC foreign and security policy with a pronounced Atlanticist slant, and - unlike Denmark and the UK - put itself on the list for economic and monetary union.

But as Europe's largest net oil and gas exporter, Norway yesterday expressed its opposition to EC plans to legislate against countries reserving significant proportions of exploration licences for their own companies. Statoil, the Norwegian state oil company, has round half of licences reserved to it. "We are confident that our EC partners will understand how some proposals, particularly the draft hydrocarbon licensing directive - for which we see no need - give rise to serious concern," Mr Bjorn Tore Godal, Norway's trade minister, said.

He stressed that Norway would require particular understanding to preserve its Arctic fisheries, and to underwrite its regional policies, all aimed at preserving the existing pattern of settlement of its sparse population. Sweden and Finland have brought similar problems to the negotiating table: the three countries together would increase the EC land mass by 50 per cent, but its population by only 5 per cent.

But EC negotiators fear that Norway may be raising expectations the Community will not be able to meet in full. "There's a danger they'll place the bar too high, because nobody will lift a finger to help them," one senior Commission official said.

## Polish sell-off hits snags at the workplace

By Christopher Bobinski  
in Warsaw

THE Polish government's latest attempt to persuade parliament to accept a modified mass privatisation plan is taking place against the backdrop of an increasingly complex response to the issues involved.

A banner draped across a wall at the Gorazda cement works near Opole catches the mood in many factories. "We say No to a majority share for foreign capital," it reads. Inside the plant Mr Andrzej Balcarak, the managing director, finds himself caught between the Privatisation Ministry, which wants to sell his factory, and the Belgian cement producer, CBR, which wants to buy.

Mr Balcarak says he has no longer notices the banner put up by the unions last autumn. But he admits to understanding the union's concern over the future of this relatively modern, profitable plant which is running at full capacity of 2m tonnes a year.

"A major effort has been made over the past two years by management and workers to bring the plant up to scratch," he says. "So the questions arise - why sell, and if so, who should reap the benefit?"

A compromise being hammered out with the International Finance Corporation advising the government, will probably see the Belgian company take a minority share, leaving a significant part of the equity for management and employees.

Mr Balcarak will be relieved when it happens as he recognises that the plant needs an owner. But the drawn-out process, which has lasted for over a year, is becoming typical of most privatisations in Poland.

Dr Bernd Venohr from Bain and Co, the consultants who sold the Pollena Bydgoszcz detergents plant to Unilever in four months in 1991 but took another year to sell the Pollena soap factory in Wrocław to Cusson's last month, confirms the process is taking longer.

"This time we put most of our effort into negotiating with the employees at Pollena Wrocław, going back and forth between the unions and the investor and doing a lot of talking to the employees calming their fears about their future," Dr Venohr likens the process to a takeover negotiation with the shareholders of a company rather than its employees. "But that's the way

Poland's government won a clear majority in parliament at the weekend on a first reading for its modified mass privatisation proposals involving the transfer of 600 state sector enterprises into privately owned, foreign-managed National Investment Funds, writes Christopher Bobinski.

The draft legislation now goes forward to committee stage where former communist SLD deputies, who voted for a first reading after gaining concessions from the government, are to resume pressure for further amendments to the plan.

It has to be if sales are to come off," he says.

Around one-third of respondents in opinion polls accept privatisation as beneficial. But when it comes down to the fate of a specific plant resistance grows, largely because of fear of unemployment.

A recent study showed that 51 per cent of state sector industrial workers wanted their enterprises to stay in state hands while a further 35 per cent thought their plant should be owned by the workers. Only 11 per cent thought it should be bought by fellow Poles while a mere 3 per cent thought it should belong to a foreign company.

Mr Balcarak underlines that resistance is greater in profitable plants, which are most attractive to investors, while employees of factories on the verge of collapse, and therefore least attractive to potential investors, are the most amenable to investors of all stripes.

The government's Mass Privatisation Scheme, with its plan to hand over some 600 state sector enterprises to foreign-managed National Investment Funds (NIF), represents the government's attempts to address some of these problems.

The plants selected for the scheme by the privatisation ministry headed by Mr Janusz Lewandowski, are mainly medium-sized and profitable. As such they are unlike the bulk of companies privatised to date. Most of the 800 or so employee and management buy-outs thus far have been mainly small enterprises and service industries while most foreign investors have been multinationals which have bought strategically into sectors such as food processing, paper and pulp, tobacco, detergents and power engineering where plants tend to be big and capital-intensive.

## Hoechst steps in over plant accidents

By Ariane Genillard  
in Bonn and agencies

HOECHST said yesterday that its management board was assuming joint responsibility for plant safety and environmental protection, taking over the task from Mr Karl Holoubek, the board member who to date has handled it on his own.

The move follows a string of accidents at the chemical group. This led to the call by Mr Joschka Fischer, environment minister in the state of Hesse, for Mr Holoubek to step aside until a thorough investigation of safety systems could prove that a recent series of accidents at company facilities were not caused by mismanagement.

The company, which is based in Hesse, said yesterday that the measure would be in force while the investigation was being carried out. It declined to say whether Mr Holoubek had been relieved of this task as a result of the decision.

Hoechst said the investigation would prove that its security systems were of a high standard. It is reviewing safety measures at its 123 plants.

Last Friday a broken pipe at its main plant near Frankfurt sent several hundred kilograms of concentrated sulphuric acid into the atmosphere.

The most serious accident, on March 15, killed one worker and left another seriously injured after an explosion.

## Community nine give pledge on passport checks

By Andrew Hill

MINISTERS from nine EC member states yesterday underlined their commitment to lifting passport checks on travellers within the European Community.

Ministers from the nine members of the Schengen free travel zone stressed that free movement of citizens was vital to the success of the single European market, during the opening televised debate of yesterday's meeting of internal market ministers in Luxembourg. Only ministers from the three EC countries which are not members of the Schengen agreement - Britain, Ireland and Denmark - omitted to mention the outstanding problems over free movement of people in their opening speeches.

Internal border controls on people were supposed to disappear on January 1, but technical and political problems have prevented even the Schengen nine from meeting their commitment to the single market.

They have now promised to lift all outstanding controls at land and sea borders by July and controls at airports by the end of December. The remaining trio, led by Britain, are likely to retain controls beyond the end of the year.

This is despite veiled threats from the Commission of legal or legislative action against intransigent member states.

However, even Schengen countries have political problems with the abolition of controls, and the free-travel agreement has not yet been ratified in all the member states.

Mr Alain Lamassoure, France's new minister for European affairs, said external borders would have to be strengthened and national rules on drugs harmonised before internal checks could be abolished. Mr Lamassoure also complained that currency instability had undermined the single market.

He said devaluations in the Community had cost France's overall balance of payments about FF1m (\$170.4m).



With reference to the Merger Document dated March 8, 1993, concerning the exchange offer by Koninklijke Wessanen NV for all shares and depositary receipts for shares of NV Koninklijke Distilleerderij Erven Lucas Bols, the undersigned hereby announce that they have declared the offer unconditional. At the close of the application period 30,681,569 shares and depositary receipts for shares of NV Koninklijke Distilleerderij Erven Lucas Bols were offered for exchange. This number forms approximately 80 % of the shares and depositary receipts for shares of NV Koninklijke Distilleerderij Erven Lucas Bols in issue.

The exchange of shares and depositary receipts for shares will take place as from April 7, 1993.

Koninklijke Wessanen NV is willing to accept shares and depositary receipts for shares of NV Koninklijke Distilleerderij Erven Lucas Bols which have not yet been offered for exchange, on the conditions of the above mentioned Merger Document until May 19, 1993.

Amstelveen/Nieuw Venneep, April 5, 1993

Koninklijke Wessanen NV NV Koninklijke Distilleerderij Erven Lucas Bols



Koninklijke BolsWessanen NV

It is hereby announced that in the General Meeting of Shareholders of Koninklijke Wessanen NV held on 25 March 1993 approval has been given to an amendment of the Articles of Association of Koninklijke Wessanen NV pursuant to which, inter alia, the name of the company has been changed into Koninklijke BolsWessanen NV and the ordinary shares of NLG 5.- nominal each have been split into 2 1/2 shares of NLG 2.- nominal each.

In connection herewith the bearer depositary receipts for ordinary shares of the company (BDR's) currently in issue have to be exchanged for new BDR's. To this purpose the holders of BDR's are required, as from 7 April 1993, to surrender the relevant certificates (in the case of K-certificates with coupon nr. 22, subsequent coupons and talon attached) to: Bank Mees & Hope NV, Plesman, Holding & Plesman NV, ASB AMRO Bank NV, Internationale Nederlanden Bank NV, Kempen & Co. NV.

The new BDR's will be available in the form of CF- and K-certificates; the K-certificates with coupon nr. 1, subsequent coupons and talon attached. The new BDR's will be available in denominations of 1, 5, 25 and 250 shares of NLG 2.- nominal each. In addition global BDR's in CF-form will be available for 25,000 shares.

Furthermore scrips, each representing 1/200 bearer depositary receipt for 1 share of NLG 2.- nominal, will be made available to enable the exchange of the existing bearer depositary receipts for 1 share. Up to and including June 30, 1993, each 200 scrips can be exchanged for one new bearer depositary receipt for one share. Application for the listing of the scrips on the Amsterdam Stock Exchange has been applied for. Delivery of the scrips will take place through book-entry transfer. To the extent that scrips are still in issue after June 30, 1993, the BDR's which they represent will be sold on the stock exchange and the net sale proceeds thereof will be made available against delivery of the relevant scrips.

The BDR's surrendered shall be accompanied by a list showing the serial numbers of the BDR's in numerical order. In addition, the face sheets of the BDR's surrendered shall be provided on the front side by a stamp showing the name of the bank or broker surrendering the BDR's.

In order to enable BDR holders to exchange their BDR's free of charge members of the Amsterdam Stock Exchange will be allowed a commission, up to and including 30 June 1993, in accordance with circular 90-56 of the Amsterdam Stock Exchange.

The Trust Conditions governing the BDR's of Koninklijke Wessanen NV have been amended to reflect the above changes and to reflect the change of name of Stichting Administratiekantoor van aandelen Koninklijke Wessanen NV into Stichting Administratiekantoor van aandelen Koninklijke BolsWessanen. Copies of the amended Trust Conditions may be obtained free of charge at the offices of Koninklijke BolsWessanen NV and, in the United Kingdom, at the offices of Cazenove & Co., European Dept., 12 Tokenhouse Yard, London EC2R 7AN.

The Board

Amstelveen, 5 April 1993

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## Curb urged on French immigrants

By David Suchan in Paris

FRANCE should cut its annual intake of around 150,000 immigrants by about two-thirds, according to a controversial newly-appointed adviser to Mr Charles Pasqua, France's new interior minister.

In an interview published yesterday by *Le Figaro* newspaper, Mr Jean-Claude Barreau, a former priest turned immigration specialist, said that in the present economic climate, "the right floor to aim at would be in the neighbourhood of 60,000 a year".

A tighter control of immigration, both legal and clandestine, is a priority of France's new conservative government. But Mr Barreau said he did not condone any forced repatriation, such as that of a group of Africans who were dispatched back to Mali last year after camping for many months on the outskirts of Paris.

The new government, he said, should rather implement more fully decisions taken by its own tribunals. Every year these tribunals ordered about

25,000 people to be deported, but less than 10,000 actually ended up leaving the country. He also noted that quicker asylum decisions by the government had recently had a deterrent effect, halving the number of requests for political asylum from 60,000 in 1991 to 30,000 last year.

Mr Barreau has often stirred controversy in a chequered career which started with 11 years as a priest before he married and turned successively author, diplomat in Algeria, and immigration specialist.

Two years ago he was sacked as head of the Office of International Migrations by the Socialist government after he wrote a book on Islam. In yesterday's interview he said that Islam, the main religion of French immigrants, mainly from the Maghreb, posed "a specific problem because it has never existed among a diaspora living in predominantly non-Muslim societies".

He contended that the main problem for immigrant communities in France was "poverty and unemployment".

## González wants a head to roll - or he'll go

PM threatens to quit as Socialist party leader over a scandal, writes Peter Bruce

JOSE LUIS Corcuera is, to put it mildly, a persuasive man. A former Basque steelworker he is big, strong and not very subtle. He is also Spain's minister of the interior and has just been given a remarkable job by Prime Minister Felipe González.

By the end of the week, Mr Corcuera has to persuade the administrators of Spain's ruling Socialist party that unless one or more of them resigns, then Mr González goes as party leader. He will quite needlessly add that if Mr González resigns the Socialists will certainly lose the election later this year so it had better not be him that does so.

Mr Corcuera is perfect for the job because he comfortably straddles the two worlds Mr González has to live in - as prime minister and leader of a conservative government, and as secretary general and leader of a more left-wing Socialist party.

For more than three years he, along with most of the country, have watched the prime minister and his fellow party leaders arrive at this week's stand-off. For a long time after being first elected in 1982 Mr González was able to inhabit his two worlds. But as Spain's economic boom faded,



The Corcuera bludgeon: perfect for the job González wants done

been enough to bring tension between party and government to a head. The vital element has been corruption charges - illicit party financing and influence peddling - that have been levelled against the party (in fact against almost all Spanish parties) and which it has reacted to by burying its head in the sand.

It started in 1990 with the revelation that the brother of the then deputy prime minister and deputy party leader, Mr Alfonso Guerra, had enjoyed the use of a government office in Seville - from which he worked as an "adviser" to his brother - to conduct lucrative business affairs. Incidentally, Mr Guerra took more than a year to resign as deputy PM.

He remains deputy party leader to Mr González. Their relationship, rooted in the years of exile during the Franco dictatorship, has become slowly more poisonous. Mr Guerra, though, has helped return three Socialist majorities since 1982 and is popular in the poor south.

Then in 1991 Spanish newspapers discovered that senior party officials had taken control of a fake consulting company, Fiesla, in Barcelona. They had then "sold" industrial research worth about

\$10m to big financial and corporate clients. The money was used to finance Socialist election campaigns in the late eighties.

The newspaper reports were brilliantly documented but the Socialists attacked them as opposition campaigns. In the past year a lone judge has taken on the party and searched its headquarters for loud complaints of victimisation. Late last month, though, three treasury inspectors seconded to the judge confirmed the reports.

Public opinion - with an eye on the corruption arrests in Italy and the Socialist collapse in France last month - is demanding that heads roll. If nothing is done, the conservative opposition, level with the Socialists in the polls for the first time in a decade, will surely make new gains.

Mr González has made a simple choice. He was persuaded against his better judgment to stand for a fourth term as prime ministerial candidate for the party and he has now decided to withdraw - by resigning as party leader - if someone who knew about the financing scam does not own up to it and go.

He himself was probably not aware of the scam - he pays

little attention to party details. The public gaze, though, does fall on two men whose arms Mr Corcuera will be twisting until the party executive meets on Saturday - Mr Guerra and the party number three, Mr José María Benegas.

More than any other leaders, Mr Guerra and Mr Benegas have taught the party to denigrate every attempt to make it accountable to the public in cases of suspected corruption. The resignation of either man would be a sensation and might restore some public confidence in the party.

Mr González's tactics are not new. He resigned briefly as party leader in the seventies over an ideological disagreement with the left. In the 1986 NATO referendum he made it clear he would resign if the country voted against continued membership.

This will be nastier. The party leadership has been together for 30 years and the infighting will be personal. But Mr González is likely to stand his ground. His resignation as party leader would mean he would see out this term as prime minister and retire. As he faces down old friends in the party his impatience to go and the Corcuera bludgeon are his best weapons.

## Turkey calls for UN support in Armenia conflict

By John Murray Brown in Ankara and agencies

TURKEY yesterday sought the support of the five permanent members of the United Nations Security Council for a draft resolution calling on Armenia to withdraw from territory taken in recent fighting with Azerbaijan.

Turkey has hitherto tried to take an even-handed approach to the conflict between neighbouring Christian Armenia and Azerbaijan, a fellow Muslim state with which it has growing links.

However in a move marking a hardening of its position, Ankara yesterday announced it was banning all flights to Armenia which passed through its airspace. Diplomats in Ankara said the worsening conflict seemed certain to derail peace talks in Rome under the auspices of the Conference on Security and Co-operation in Europe.

The latest fighting, with Armenian forces seizing the strategic town of Kelbajar over the weekend, has intensified domestic pressure on the government to move to contain what is seen by Ankara as Armenian aggression.

However rather than acting unilaterally, diplomats say Turkey is seeking UN support to end the attacks on "Azerbaijan's territorial integrity".

Clashes were reported again yesterday along the Azeri border close to the disputed enclave of Nagorno Karabakh, which is populated by ethnic

Armenians. Recent Armenian gains have further opened up the strategic Lachin corridor linking Armenia with Karabakh.

Azerbaijan said yesterday that its forces had repelled a Armenian attack on the key southern town of Fizuli.

Local officials said the Armenian forces were now three miles outside Fizuli, which lies in a narrow strip of Azeri territory separating Nagorno-Karabakh from Iran.

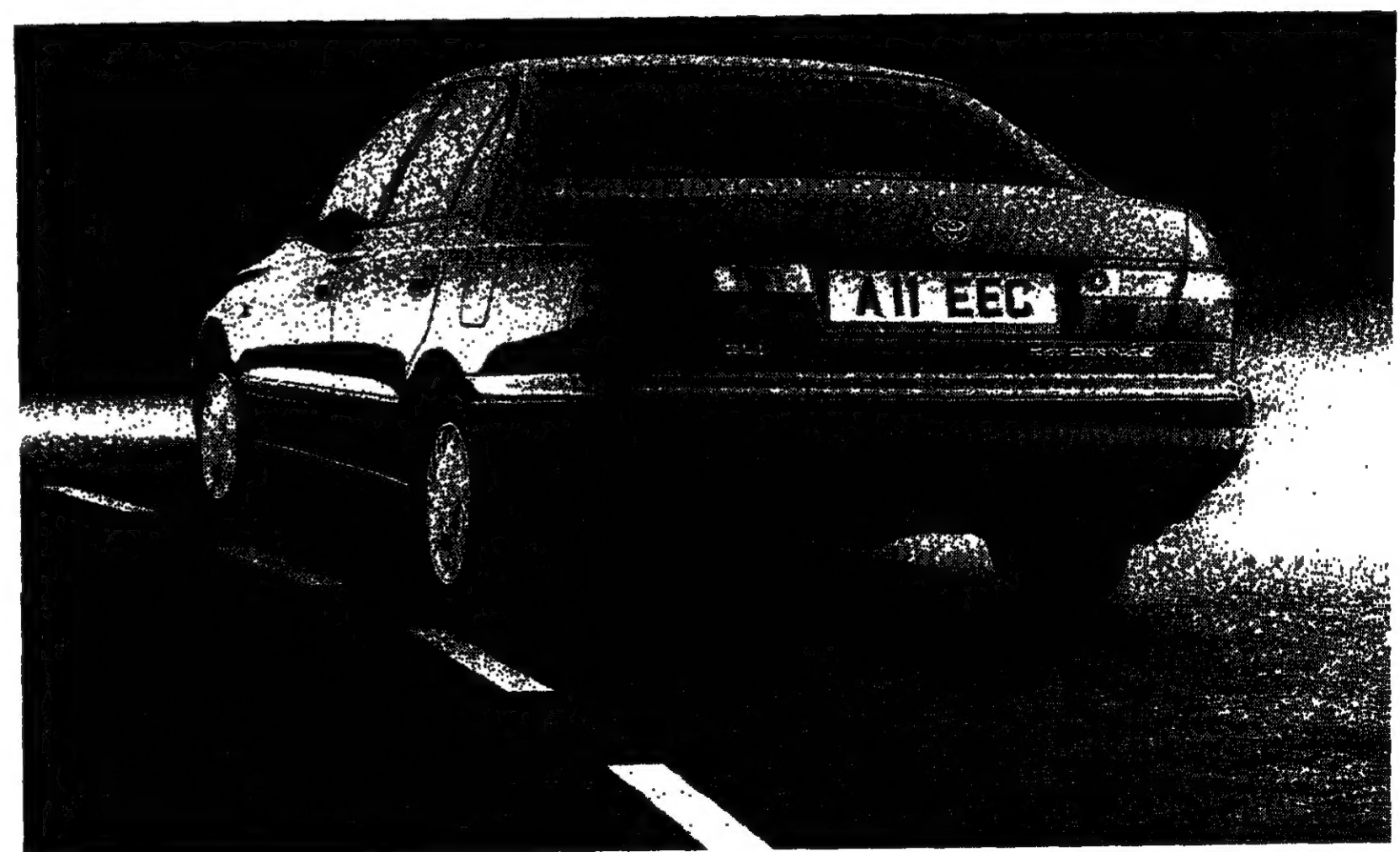
Capturing Fizuli would have cemented gains made by Karabakh Armenian forces in a recent offensive and would have brought all of south-western Azerbaijan under Armenian control.

The Turkish Foreign Ministry yesterday called in ambassadors of the permanent five to urge immediate UN condemnation of the Armenian offensive which Azeri officials claim has resulted in the loss of 10 per cent of its territory. Armenia claims the latest operation was in response to continual Azeri artillery attacks on villages in the disputed enclave.

After pressure from both France and the US, countries with large diaspora Armenian communities, Turkey braved domestic criticism to open its rail link with Armenia via Dogru Kapi. Last week, however, Turkey halted all aid convoys to Armenia.

Mr Suleyman Demirel, Turkey's prime minister, warned Turkey's patience was running out. Turkish Foreign Ministry officials said policy was under "hourly review".

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THE WELSH ADVANTAGE

## Ukraine tries to salvage reform

By Chrystie Friesland in Kiev

UKRAINIAN leaders are putting together a package of "radical measures" in an effort to resuscitate economic reform in the aftermath of a huge expansion of credits last week which pushed the Ukrainian currency to new lows against the dollar.

Mr Leonid Kuchma, the reformist prime minister, over the weekend met President Leonid Kravchuk and the chairman of parliament to forge a coalition to back the reforms. Government officials said Mr Kuchma had secured a promise from the National Bank chairman that in future new credits would only be released with the government's consent.

The latest credit emission, which was authorised by the parliament, wiped out the existing debts of all Ukrainian enterprises, making it impossible to weed out the weak factories from the strong ones.

"We have taken action to undo the situation which developed last week," said Mr Vasyl Evinkhov, acting first deputy prime minister. "We will force the enterprises to behave, we will force some of them into bankruptcy."

The tough talk was a reaction to the National Bank's

release of 1.23 trillion coupons of fresh credits at low interest rates to industry and agriculture last week.

Ukraine's fledgling currency market reacted immediately as banks cut the value of the Ukrainian currency by 50 per cent in one day to a low of 3,000 coupons to the dollar.

"This single step wiped out almost all of the progress we had made in the previous three months," said Mr Mykola Syvulsky, deputy minister of finance.

Before last week's credit expansion, the Ukrainian currency appeared to be stabilising against the dollar and inflation had slowed to 20 per cent a month.

"This emission means that on paper we have no loss-making enterprises," he said. "But the cost of this policy is a degradation of the national currency and a continual lowering of the standard of living of the Ukrainian people."

Clutching a list of the enterprises with the largest losses before last week's release of fresh credits, Mr Syvulsky said "many of the candidates for bankruptcy are on this list".

The collapse of the currency and the prospect of a new round of inflation had exhausted the government, and the population.

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NEWS: AFTER THE SUMMIT

Hopes raised by Clinton pledge to review old Communist era restrictions

# Business to benefit in cold war clear-out

By Nancy Dunne  
in Washington

RUSSIAN and American business could have much to gain from the long overdue review promised by President Bill Clinton into the cold war legal relics which contradict US policy supporting the democratisation of the former Soviet states.

Mr Clinton promised in Vancouver on Sunday to review all such outstanding regulations

that Russia felt was hindering its economic development.

Technology related restrictions - on imports as well as exports - comprise the "most onerous" existing problem for US-Russian commerce, Mr Richard Jacobs, president of Newstar, a Washington and Moscow-based merchant banking and investment advisory firm, said yesterday.

One plan to bring a Russian model nuclear space reactor to be exhibited in the US ran into

all kinds of red tape, he said. Once permission was received, the Russians found they could not re-export it.

"The US government also requires that American companies have permission to receive technical data from Russian companies," he said. "They have to have an export licence to return the same data."

Mr R.K. "Judge" Morris, an official with the National Manufacturers' Association, said US companies were discour-

aged from investing and entering joint ventures with Russia by the presence of the old Jackson-Vanik amendment, which links trade benefits and credits with immigration restrictions. As long as the law remains on the books, and the president must issue an annual waiver - as he does with China - then business will be discouraged from making long-term investments, he said.

The association is also asking the administration to streamline export controls "so they don't provide a competitive disincentive" in Russia, and to raise commercial aid.

The administration must also sort out a policy dilemma regarding US credits. Is the prime purpose of the US Export-Import Bank, which provides export financing, trade or aid? If it is trade, how much risk can it be allowed to take on without a congressional approval? The same is true with the Commodity Credit

Corporation, which supplies funding for farm credits.

The Clinton aid package for Russia includes, for example, an \$82m loan to finance the construction of Caterpillar pipeline machinery. Eximbank, although still without a chairman and vice chairman, went ahead and approved the loan in February. Bank officials then had to endure criticism from Congress for having made loans to a country that was not "credit-worthy".

what it can to assist the process of reform and democracy in Russia headed by Mr Yeltsin.

The ministers overrode Commission objections and laid out tougher human rights standards as a precondition for the free trade project. A majority of member states argued that it would strengthen the hand of reformers in Moscow.

The only mildly discordant notes yesterday came from Belgium, which noted that it would be a long time before Russia was ready for free trade with the Community, and that the Twelve would have another opportunity to decide when that time came. This appeared to cut across the "evolutionary" intention of the accord now being sought.

France's new centre-right government, something of an unknown quantity on its European debut, was in favour of reaching free trade by stages.

Ministers also agreed in principle yesterday to expand the EC's technical assistance programme to the former Soviet republics, to include so-called "triangular operations". This means using EC aid to help re-establish trading links between east and central Europe and the ex-Soviet republics. In spite of Greek reservations, Turkey could be involved because of its growing influence in the Central Asian republics.

The Commission was also defeated on its proposal to extend full employment and social security rights, throughout the EC, to dependents of Russians legally established in any given member state. The EC's own growing jobless totals ruled out such ideas, officials said. "The whole point is to create worthwhile jobs for Russians in Russia, not in Aberystwyth," said one UK official.

## EC ready for talks on lower trade barriers

By David Gardner  
in Luxembourg

EUROPEAN COMMUNITY foreign ministers yesterday gave the Commission power to negotiate an eventual free trade zone with Russia. The decision is viewed by member states as a vital signal to bolster President Boris Yeltsin's struggle for economic and political reform.

"Partnership" negotiations already started between the EC and Russia will now be widened - at Moscow's request - to aim at reducing the barriers to exchanges of goods, services and investment over the course of the coming decade. The aim is to finalise the EC-Russia accord by June 21-22.

The new, so-called evolutionary clause on free trade, according to Commission officials, should quickly eliminate tariffs on most Russian industrial goods coming into the EC, and retain very few tariffs on farm produce. Any attempt to move forward to a full-fledged free trade zone would not start, however, until Russia joins the General Agreement on Tariffs and Trade.

Despite misgivings among some member states, Commission recommendations for a generous "safeguard" clause against surges of competitive Russian goods coming into the EC were accepted. Barriers would only be re-erected in the event of "serious injury" to EC producers of similar goods, or the threat of it. The Commission also had written into the minutes of yesterday's agreement that the clause would only be invoked after thorough investigation to prove that the threat was real.

Sir Leon Brittan, EC trade commissioner, said the agreement was "a recognition of the need for the Community to do

## Russian outburst against Ukraine

By Leyla Boulton in Moscow  
and Chrystia Freeland in Kiev

RUSSIA, emboldened by the Vancouver summit, yesterday issued a barrage of attacks on Ukrainian provocations on giving up control of nuclear weapons stationed on its territory.

"Ukrainian representatives openly state the weapons are the property of the Ukraine. This can only be viewed as Ukraine's claim to own nuclear weapons," the Russian government said.

Mr Grigory Berdennikov, deputy foreign minister, said the US and Russia had provided such exhaustive security guarantees for giving up the weapons that "we can't even comprehend what other guarantees could be provided".

General Boris Granov, deputy defence minister, said Russia was put in an impossible situation where it was not supposed to own the weapons but guarantee they were secure. "Nuclear weapons cannot have two masters," he said.

In reaction to renewed American and Russian pressure, Ukrainian leaders yesterday reiterated their commitment to becoming non-nuclear. "I am convinced that Ukraine will give up its nuclear weapons," said Mr Leonid Kuchma, the Ukrainian prime minister, after a meeting between top Ukrainian cabinet ministers and a US congressional delegation.

However, Ukrainian officials did not specify when and insisted the final decision was a grave step which it could not take lightly.

"At stake is the future of the Ukrainian state and its people," said Mr Boris Tarasuk, deputy foreign minister and top arms negotiator.

House majority leader Mr Richard Gephardt said he had received assurances Ukraine would eventually give up its nuclear weapons.

## Thumbs down from grain traders in US

By Laurie Morse in Chicago

US GRAIN traders yesterday expressed disappointment about President Bill Clinton's Russian aid programme, even though nearly half the \$1.6bn (\$1.1bn) package is earmarked for concessional grain sales.

They said it had not normalised the lucrative grain trade with Moscow, which stalled in November due to Russian arrears.

Traders voted with their wallets yesterday morning, pushing futures prices for wheat, corn and soybeans lower at the Chicago Board of Trade.

Mr Clinton has offered \$700m for grain sales to Russia under the food for progress aid programme. However, exporters say only about \$50m will be available for grain purchases, and the balance will have to be used to pay for shipping it.

US food aid programmes are subject to cargo preference provisions, a concession made long ago to US longshoremen's unions.

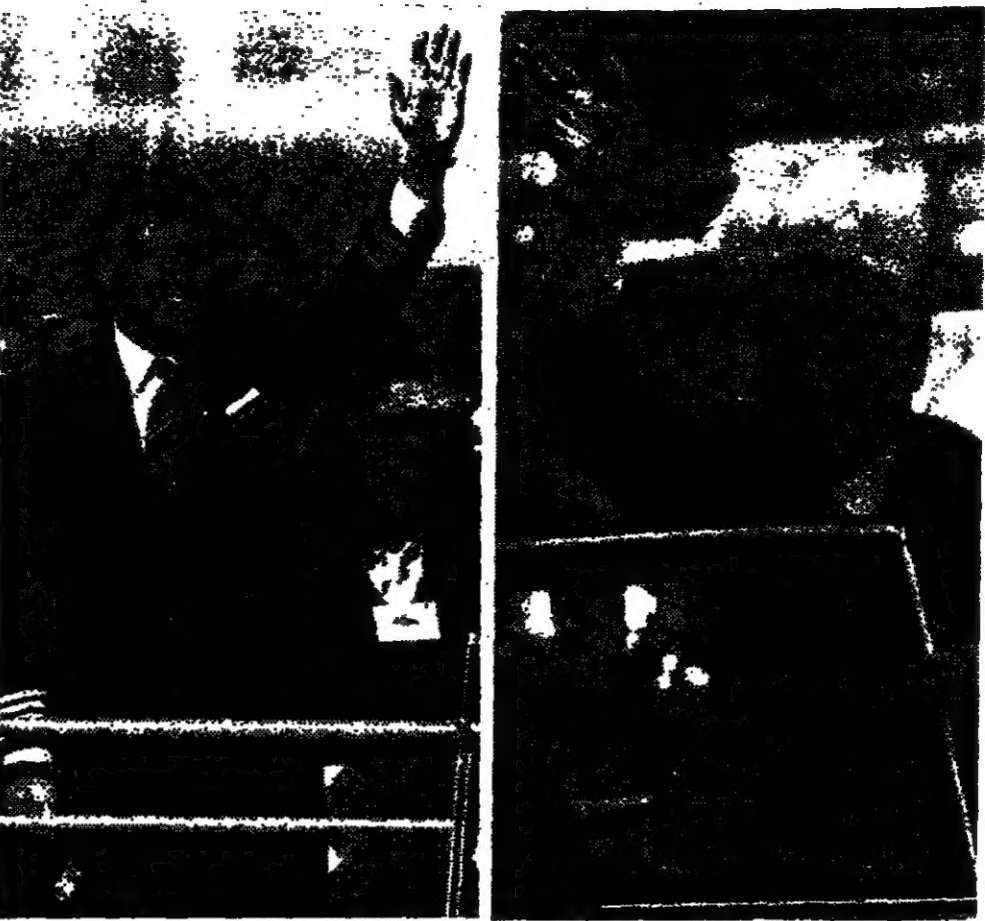
The provisions require food aid to be transported on US-flagged vessels, which can be as much as \$50 per tonne more expensive than other ships. There had been some hope Russian food aid would be exempted from the law.

"Clinton has clearly lost the battle with the unions" on the cargo preference issue, said Mr Richard Feltes, senior grain analyst with Refco, the Chicago-based trading firm.

The summit package will provide for about \$70m per month in bulk grain shipments to Russia over the next seven months, well below the \$200m to \$250m per month exported to the country before its debt problems stalled sales under US-guaranteed commercial loans, Mr Feltes said.

About 40 per cent of grain exported under the aid package will be wheat, with the balance corn and soybeans. Another \$19m has been designated for sales of value-added products. Exporters said much of that will be vegetable oil, which is in short supply in Russia.

## Summit agreement leaves both sides smiling



Food farewells: presidents Bill Clinton (left) and Boris Yeltsin wave to the Vancouver crowds at the end of their two days of discussions in Canada on Sunday.

## Move to speed up energy sector aid already in pipeline

By Leyla Boulton in Moscow

THE official aid announced at the Vancouver summit for Russia's energy sector is an attempt to speed up assistance promised but slowed down by political and economic obstacles.

Western oil companies have been frustrated by constantly changing and increasing taxation, the lack of a clear decision-making process and political instability.

Reformers in the Russian government are trying to improve matters. This involves trying to centralise exports to reduce theft and to create the right incentives for domestic companies and a suitable environment for foreign investors.

In the meantime, multilateral organisations and export credit agencies have had problems finalising arrangements which are meant to encourage private companies until the investment environment becomes more attractive.

Mr Boris Fyodorov, the deputy prime minister responsible for finance and economics, has asked for and received a list of suggestions from western oil companies on building a suitable tax and legal regime. The companies are for the first time acting together on this front through a Petroleum Advisory Forum (PAF), which includes 20 integrated oil companies and 23 service companies.

But there is also considerable resistance from parts of the bureau-

cracy to giving foreigners a free hand to strike deals with Russian companies.

"The central government does not yet understand that their only role in the industry should be to regulate and take tax revenues from it," said one western banker. He also pointed to deep-rooted psychological barriers prevalent among some bureaucrats in the fuel and energy ministry and the finance ministry.

"What it boils down to is that Russians can't understand why foreigners should make a profit from taking Russian minerals out of the ground."

With western banks reluctant to put more money into Russia when they are having to reschedule old debts, multilateral organisations see

themselves as vital catalysts for encouraging private capital.

"This is not to say that western companies are not rushing to explore those opportunities already on offer, the biggest being a tender to exploit some of the gas reserves off Sakhalin Island."

"Sakhalin" is a bellwether for the industry," says Mr Don Schaefer, the PAF chairman, who is also commonwealth area manager for Shell, one of the five companies included in a consortium bidding for the project.

The consortium, which at first grouped just US companies McDermott and Marathon, plus Japan's Mitsui, went through much torment to be awarded just the feasibility study last year. Part of the

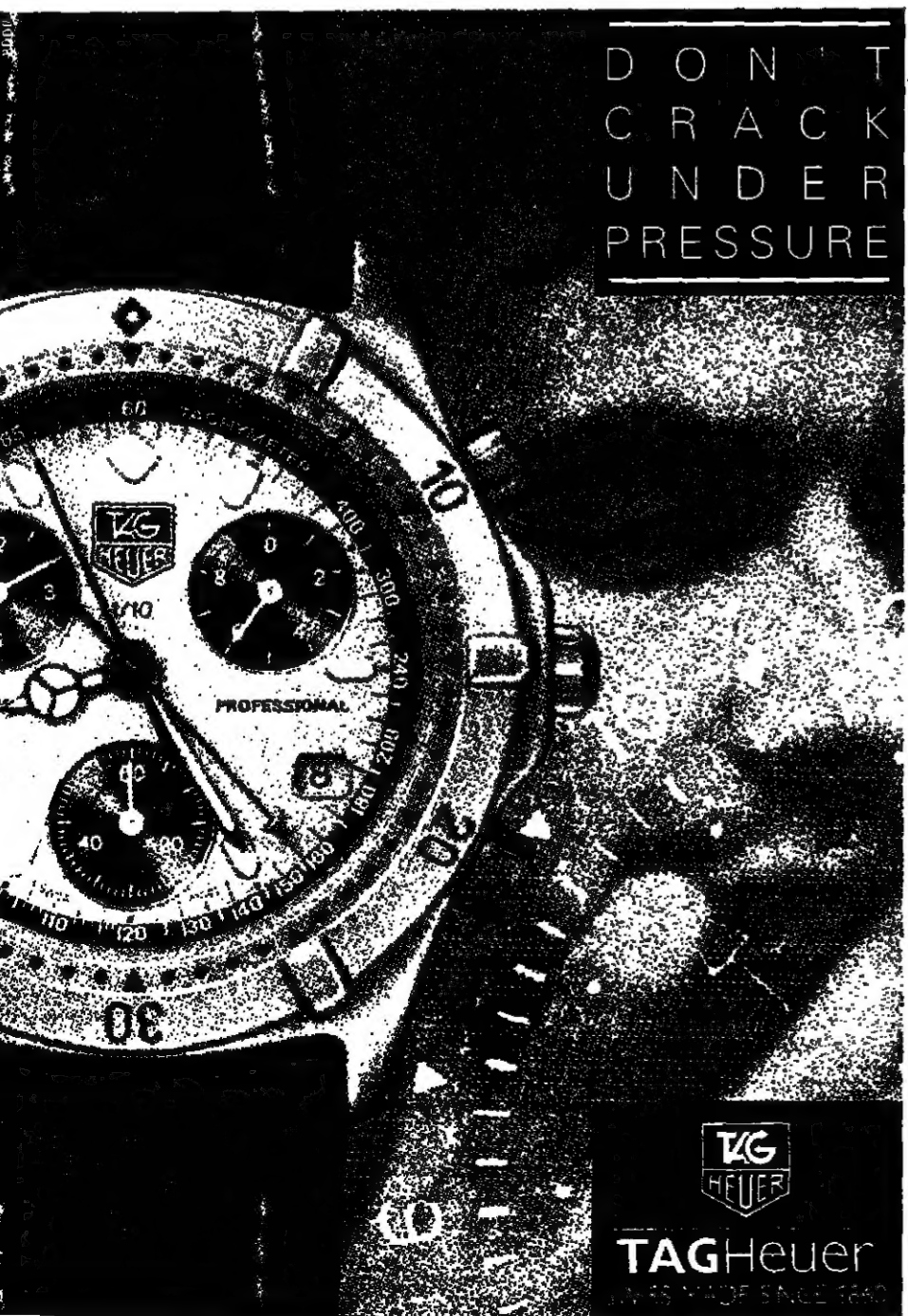
problem was the conflict between the federal and local authorities on which rival group of companies should get the contract. Another was demands by local authorities that western companies should finance new infrastructure not required by the project.

Now the companies are hoping for a Russian decision this month or next on whether they will get the contract to develop the reserves.

Mr Schaefer suggests that the contract which is finally awarded should be scrutinised by the industry at large, putting pressure on the Russian authorities to come up with terms that will make this \$10bn (\$7bn) project an encouraging example.

One smaller project which will be watched and perhaps even speeded up as a result of the summit is the Chernoborsky joint venture, between Chernoborsky, a Russian oil enterprise, and independent US oil company Andaman Smith.

The European Bank for Reconstruction and Development has already committed \$33m to the project and a \$40m loan from Morgan Grenfell, the British merchant bank, is to be guaranteed by the US Eximbank. But the latter's own slowness in processing the project, attributed in part to its small travel budget, is one example of a western bottleneck that may be cleared by President Bill Clinton's promise to accelerate support already promised.



## Cri de coeur from Kohl on burden-sharing

By Judy Dempsey in Berlin

CHANCELLOR Helmut Kohl's reiteration yesterday of the scale of German aid already promised to Russia was "in some ways a cry for help," a foreign ministry official said. "He wants greater burden-sharing."

In a statement aimed at the US administration, and the European Community, Mr Kohl said Germany had provided more than half of all western aid to Russia. Germany was already saddled

with financing the economic rebuilding of eastern Germany.

The stakes for Germany are high. If the reforms carried out by Russian President Boris Yeltsin failed, and the country slid into anarchy, then Germany would be faced with a massive refugee influx, officials warned yesterday.

Mr Kohl promised no fresh money, but said Germany would "continue to help within the bounds of its possibilities". Support for reform was "an investment in a peaceful future... a slide back into a

confrontation would put burdens on all of us which would be far greater than the aid that is now necessary."

Mr Kohl said the debt rescheduling granted to Russia by the Paris Club of creditors last Friday would cost Germany DM8bn (£3.3bn). This was in addition to substantial amounts of aid already committed by Germany to Russia for this year and 1994. These include:

- DM80bn credit facilities to the former Soviet Union, most of which has been earmarked

for Russia since 1989.

• Export credit guarantees totalling DM65bn since 1992. The guarantees are targeted at restructuring and modernising the Russian economy.

• DM4.4bn in 1993 and 1994 towards cleaning up after the occupation of Soviet troops on eastern German territory on top of DM17bn already spent in the five new eastern German Länder.

The remaining 220,000 troops from the former Soviet Red Army will leave Germany by August 31 1994. In addition,

Bonn is financing a DM550m programme to build 35,000 houses for soldiers returning to the former Soviet Union.

• DM510m this year for creating democratic and market economy structures. This includes education and retraining programmes, as well as creating a legal environment for setting up small and medium sized private enterprises.

• DM100m for improving the security of nuclear power stations in 1993. A further DM32m has been committed for 1994.

NEWS: THE AMERICAS

## Housing picks up in February

NEW US housing completions rose by 11.9 per cent in February to a seasonally adjusted annual rate of 1.294m units after falling a revised 7.9 per cent to a 1.130m rate the month before, according to the Commerce Department. Renter reports from Washington.

Previously, the department said January housing completions had fallen by 7.4 per cent to a seasonally adjusted annual rate of 1.128m units.

Completions in February were 13.9 per cent higher than the seasonally adjusted annual rate of 1.110m units completed in February of last year.

The department said February single-family housing completions rose 8.3 per cent to a seasonally adjusted annual rate of 1.054m units after declining 4.2 per cent in January. Multi-family unit completions rose 33.8 per cent to a seasonally adjusted annual rate of 210,000 units.

## Republican unity holds up Clinton stimulus bill

By George Graham in Washington

DEMOCRATIC presidents usually have to worry about their own party's disunity, but for the time being, Republican unity is proving quite enough to block President Bill Clinton in Congress.

Yesterday the Senate's Democratic leadership failed for the third time to break a Republican stranglehold over the \$165n stimulus spending bill which forms a centrepiece of the president's short-term economic plan.

The White House, which has tried to push through its economic package with as few amendments as possible, has now been forced into negotiations with the Republicans, but it is unclear whether the two sides can agree on a compromise.

While the Democrats hold a notional 57-43 majority, the

Senate's sometimes eccentric rules of procedure allow the minority to prevent a vote from taking place unless the majority musters 60 senators to bring debate to an end.

The two sides are at odds over the stimulus bill's importance. Republican Senator Phil Gramm calls it "one last big spending spree" before the administration embarks on the task of reducing the deficit.

But Mr Robert Reich, the Labour Secretary, yesterday defended the bill as "the only way to get jobs back," and said this position was bolstered by the "stubbornly high" March unemployment rate of 7.0 per cent announced last week.

Whether or not the stimulus bill is necessary, the Senate deadlock is holding up another measure that is critical: a bill to increase the limit on federal debt to \$4,370bn. The Treasury

yesterday had to postpone a \$22.4bn auction of Treasury bills, and Mr Lloyd Bentsen, the Treasury secretary, estimates the ceiling will be breached tomorrow.

For most senators, however, the argument is more a matter of political arm-wrestling - a trial of strength and endurance. For the Republicans, not just the stimulus bill but their influence on all future legislation may be at stake.

On the administration's side is the irritation of many House members that the Senate is stalling them from going home for the scheduled Easter/Pasover recess, and the opportunity to label the Republicans as champions of gridlock.

Although gridlock was unpopular with voters in the last election, so was wasteful government spending, and it appears that the Republicans are winning this particular labelling battle.

## Flooding in Ecuador wreaks havoc

ECUADOR HAS been hit by one of the worst natural disasters in its history, leaving thousands homeless and an unknown number killed, writes Raymond Collitt in Quito.

A landslide last week in the southern province of Azuay has created a dam in the river Paute, causing the backwater to flood surrounding areas.

Dozens of dwellings have been flooded and the rising water level is threatening to engulf several more communities.

President Sixto Duran Ballen has declared a state of emergency and relief efforts are now concentrating on providing shelter for homeless, as well as evacuating those still threatened by the rising water level.

So far the death toll has been placed at 33 but it is not known how many more are buried beneath debris.



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Passenger traffic growth slows

# Companies cut air travel to trim costs

By Daniel Green

THE International Air Transport Association reported a "disturbing" slowdown in passenger traffic growth in February among its 213 member airlines as businesses continued to cut air travel to reduce costs.

The report underlines hopes of an end to three years of economic woes which have cost the airline industry collectively \$100bn (£7bn).

The 800 business travellers surveyed by IATA said a cut in the number of trips made was the main method of cost control. Second came the hunt for cheap deals, third sending fewer people on trips and fourth a downgrade of the class of travel.

More than one quarter of companies have cut their travel budgets in the last six months, compared with 10 per cent which said the budget had risen.

Larger companies had made fiercer cuts. Some 40 per cent of those with more than 1,000 staff had reduced travel budgets, compared with only 8 per cent of those employing fewer than 25.

Around half the companies questioned thought that developments in telecommunications could eventually replace part of their travel.

The survey results come on the heels of a business class air fares war in Europe. It intensified yesterday when British Airways cut fares until the end of June by as much as a quarter from the UK to Paris, Amsterdam and Helsinki.

The moves followed similar cuts in recent weeks by British Midland, Air France, Finnair, the Dutch carrier KLM, and Aer Lingus, the Irish airline.

The reductions apply only on routes from London and leave a business class return trip to Paris costing £240, compared

with £318 previously.

"We are trying to persuade people to trade up into business class," said BA yesterday. "Many companies specify that business travel be in economy."

The fares war is limited to highly competitive routes. A business class return fare on London-Frankfurt, for example, which is only flown by British Airways and Lufthansa, remains at more than £350.

Such cuts in short-haul and in business class are unusual. Economy fares cuts are common on busy long-haul routes. But the fight for the cash-conscious business passenger began in earnest this winter.

The IATA survey indicates that there is still a large market for a higher priced product: seat size and comfort were rated by passengers by far the most important aspect of flying business or first class.

# Ports in the Channel tunnel storm

Ian Hamilton Fazey on the Humberside and Rotterdam alternative

THE PORTS of Rotterdam in the Netherlands and the Humber in northern England are to consider a series of joint promotions to cities, industry and commerce north of London and on the EC mainland.

Each promotes separately at present, stressing the variety of their North Sea links. The aim of joint marketing would be to boost traffic and trade between them - in particular utilised freight (mainly containers) carried on truck or trailer.

The advent of the Channel tunnel seems to have concentrated minds. Both Rotterdam and Humberside authorities claim the tunnel, which is due to start operating within 12 months, will have little impact on their operations. But since it is making shippers think afresh on North Sea trade, this is prompting the ports to promote themselves.

Rotterdam's Port Promotions Council, which sent more than 30 shippers and business leaders to Hull for talks last month, is stressing its "gateway" role, offering immediate access to Europe's road, rail and inland waterway network.

Rotterdam handles an annual 290m tonnes of cargo, mainly bulk chemicals or foodstuffs, but up to a fifth is in utilised form.

The Humberside Partnership - a British equivalent joint venture of public and private sectors - is emphasising Britain's London transportation bottleneck and the tunnel's comparatively tiny

freight capacity of only 8m tonnes a year at first.

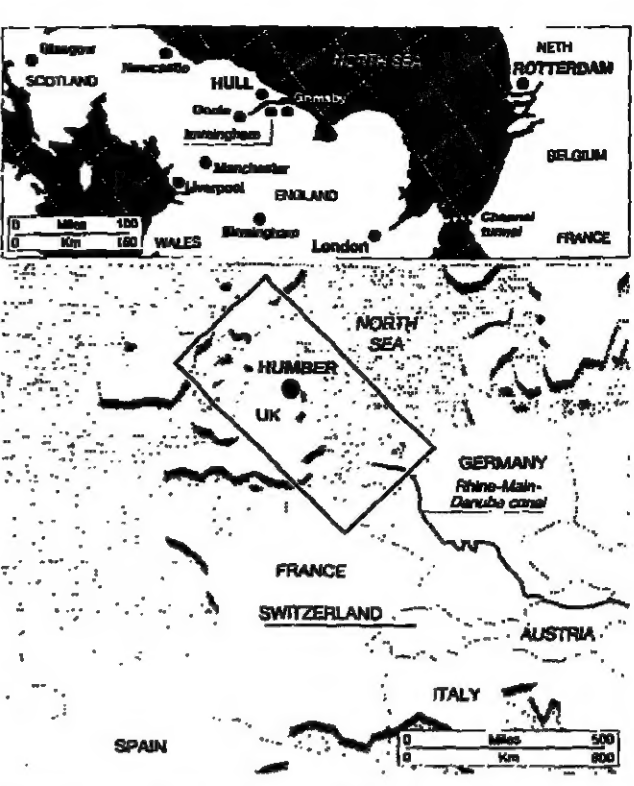
Members of the partnership believe market forces and Britain's motorway network already point to the Humber as the most natural route to and from Europe for Scotland, northern England, the Midlands and Ireland. More than 60m tonnes of cargo a year are passing through - up to a quarter of it utilised - and volumes have grown steadily, despite recession.

Associated British Ports, which owns the main ports of Hull, Immingham, Grimsby and Goole last month reported its Humber traffic up 4 per cent in 1992 at nearly 50m tonnes.

Mr Stuart Bradley, ABP's chief executive, says the Humber is Britain's busiest and fastest-growing waterway. The port of Hull in particular has blossomed since the abolition of the national dock labour scheme in 1989, which removed restrictive practices from stevedoring.

Hull has been able to increase container operations and re-open Alexandra Dock, closed in 1982 because of over-manning and inefficiency. In November, the port will have a new floating stage in the Humber so ships can avoid locking into docks, thus cutting journey times.

North Sea Ferries, which already runs overnight passenger and freight services between Hull and Rotterdam, is building two large, advanced roll-on, roll-off (ro-ro) cargo ships to operate from the new



these anyway. Meanwhile, Mr de Zeeuw intends to promote Rotterdam's direct link into the Rhine-Main-Danube canal system to counter any effect the tunnel may have on cargo flows to southern Germany, Switzerland and Austria.

Mr Chris Haskins, chairman of the Hull-based Northern Foods, thinks the tunnel's main attraction will be to the food industry. He would like to use it to more than double the market for Northern Foods' Sheffield factory - which makes a range of products for the UK retailer Marks and Spencer - to 110m people if the problem of the London bottleneck can be overcome.

Otherwise, he fears competitors in northern France may use the tunnel to attack Northern Foods' markets in southern England, forcing him to consider setting up in France.

Mr Henry Johnson, of A.S. Haulage of Hull, is chairman of the Humberside branch of the Road Hauliers' Association. "If we get an order to shift something today from northern England and get it to Germany tomorrow, we can ship it from the Humber and have it in Rotterdam in the morning. It is then just four hours to the Ruhr."

"It is going to be very difficult to beat this sort of short-notice flexibility using the tunnel," he says.

The Humberside Partnership, formed two years ago, already has a series of presentations planned for much of Britain north of London to spread the message.

# Jakarta gets £65m tied loan from UK

By William Keeling in Jakarta

MR Douglas Hurd, the British foreign secretary, yesterday signed a £65m concessional loan to Indonesia to fund a \$50W power station to be built by a UK company in Samarinda, East Kalimantan.

The contrast for the project has not been awarded but, under the terms of the loan, it must go to a British company. Mr Hurd rebutted suggestions that, by tying the aid, the UK government was undermining the principle of free trade.

British exports to Indonesia grew 58 per cent to \$312m last year, while Indonesian exports to the UK rose 29 per cent to \$536m.

"Of the substantial exports markets for Britain, last year Indonesia grew faster than any

other to the UK," Mr Hurd said.

Officials say the loan is a belated effort to promote UK companies in an Indonesian sector in which \$300m of new investment is planned in the 1990s.

Indonesia hopes one-third of the investment will be by private companies which will build, own and operate power stations linked directly to the national grid.

Mission Energy of the US is expected to resume negotiations later this month for two 600MW units, worth \$2bn, of the Patton private power project. Industry officials say British Gas is considering investing in private power schemes, possibly taking a stake in a proposed 400MW, \$450m station in Serpong, West Java.

# Daewoo to invest \$1bn in Tatarstan

By Philip Gawth in Johannesburg

DAEWOO, the South Korean conglomerate, is to invest \$1bn in a joint venture with Tatarstan's Yelabuga motor factory, Mr Kim Woo-chong, head of the Daewoo group, said yesterday in Kazan, the Tatar capital. Reuters reports from Moscow.

He was quoted as saying that Korea would supply half the equipment and technology.

The main investment would be in a car plant, but Daewoo also planned to help finance factories to assemble South Korean video and audio equipment, Mr Kim said.

The cars and other equipment would be sold mainly in Tatarstan - an autonomous republic within Russia - in Russia itself, and in other members of the Commonwealth of Independent States.

# Pretoria rings in mobile phone network

By Philip Gawth in Johannesburg

SOUTH AFRICA yesterday took its first steps towards developing a national cellular telephone network when the government invited applications for the two licences it plans to award.

The government sees cellular telephones as a means of introducing competition into the telecommunications field - dominated by the parastatal Telkom - and as the cheapest and quickest means of offering most South African access to a telephone.

Some fear the government may have set licence fees at a punitively high level. Operators will have to pay an initial \$100m (\$21.8m) and 5 per cent of net revenue in annual licence fees. Radio fees of \$5m a year and \$30,000 a year for each 200kHz channel granted will also have to be paid. Licences will be granted for 15 years. The two systems will probably cost \$3-400m each and have up to 400,000 subscribers jointly.

Licence applications have to be in by mid-June with the government hoping

to announce its decision by June 30. Telkom has already been granted 50 per cent of one licence. The UK company Cable & Wireless is expected to tender in partnership with M-Net, the locally based pay television station.

Selection criteria include such factors as the quality, reliability and affordability of the service; technology transfer; local added value; job creation; competition and consumer benefits and the financial soundness of the applicant.

The government says a criterion

which will "weigh heavily" is how far the applicant is prepared to provide telephone services to the underdeveloped part of the community where services are expected to be uneconomic.

A recent study by Coopers & Lybrand - based on 1989 data - found that only 2.4 per cent of South Africa's black population had phones - more than three times the average for Africa, excluding South Africa, but only a tenth of the penetration in South Africa's white community.

# Kevlar protects against injury. Sontara and Tyvek protect against infection.



**B**acteria can jeopardize the most careful surgical work. Despite today's high standards of hygiene, potentially fatal wound infections still occur during 5% of all surgical operations.

Surgeons are also potentially at risk if, for example, they accidentally injure themselves with a scalpel while operating an HIV-positive patient.

Thanks to DuPont's development work, however, these risks can now be reduced considerably.

Bacteria stand little chance Sontara, a spunlaced fabric specially developed by DuPont, is a blend of polyester fibre and wood pulp. It is used by companies like Mölnlycke and

Sontara provides a significantly improved barrier against bacteria compared with conventional cotton gowns and drapes

Baxter for operating gowns and drapes. According to tests by Professor Werner at the University Clinic of Mainz, Germany, Sontara provides a significantly improved barrier against bacteria compared with conventional cotton



Sontara increases hygiene standards

gowns and drapes. And as Sontara is also liquid-repellent, surgeons and theatre staff are protected against blood-transmitted germs.

Operating gowns and drapes of Sontara release 12 times fewer particles through linting than gowns made with conventional textiles.

During surgery, these particles can transmit microorganisms which could cause infection. Non-wovens are also safer because they are



Tyvek is a spunbonded material made from microscopically fine, high-density continuous polyethylene fibres. It is

not prone to damage in washing and transit, which puts sterility at risk. At Duke University Medical Center, Durham, USA, post-operative infections have dropped from 6.51% to 2.83% since the adoption of gowns and drapes made of Sontara.

Permanently sterile packs Tyvek is a spunbonded material made from microscopically fine, high-density continuous polyethylene fibres. It is

Although the structure of Tyvek is a barrier against bacteria, it is gas permeable

tear-, puncture and water-resistant, lint-free and impermeable to bacteria: all properties that make it ideal for sterile packaging. And since packs are heat sealed rather than adhesive-bonded, they are easily opened. Although the structure of Tyvek is a barrier against bacteria, it is gas permeable.



It is, therefore, perfectly suitable for gas and gamma-ray sterilisation. For all these reasons, Tyvek is used extensively for sterile packs by leading medical equipment manufacturers like Abbott, Baxter, Fesenius and Viggo-Spectramed.

Operating gloves protect surgeons For the same weight, Kevlar para-aramid fibre has five times the tensile strength of steel. It is also flexible and cut-resistant.

Seamless operating gloves of Kevlar provide additional security, for example, against AIDS pathogens

This remarkable fibre is now also widely used for medical purposes. Seamless operating gloves of Kevlar provide additional security, for example,

against AIDS pathogens. Disposable sterile gloves of Kevlar are worn between two thin latex gloves. They have the advantage of being soft and flexible so as not to limit dexterity, and are cut-resistant.

Under normal conditions, even a scalpel cannot cut through them. In the U.S.A., protective gloves of Kevlar are in widespread use. In addition to surgeons and operating theatre staff, they are used by dentists, emergency personnel and others working in exposed situations.

Innovations from DuPont Sontara, Tyvek and Kevlar are developments of DuPont's Engineering Fiber Systems as are Nomex, Teflon, Tygar, Cordura, Zemdrain and high tensile

Nylon. These products have opened up new perspectives in numerous areas ranging from household goods to space vehicles.

DuPont is an innovator. Over \$1.3 billion is spent annually by more than 80 R&D and customer services laboratories worldwide, to continually improve products and services.

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Part of our lives



## China in bid to tackle its Aids problem

**D**ARKNESS has fallen on Beijing and a chill wind is blowing across the city. Most people have scurried indoors, but in Beijing's Dongdan park a Chinese Aids campaigner is pursuing a lonely crusade.

Mr Wan, an official of China's National Health Institute, is accusing homosexuals who frequent the park to advise them of the dangers of unprotected sex.

The young Chinese health worker finds a receptive, albeit wary, audience.

As Mr Wan observes ruefully: "In 1985, a public health official wrote an article in which he stated there were no homosexuals and no intravenous drug users in China. But actually we can say that everything happens in China."

Mr Wan fears that grudging official acceptance of the dangers of the spread of Aids among high-risk groups such as homosexuals, prostitutes and intravenous drug users will delay action needed urgently to educate the public.

"I worry that if we don't tackle the problem there may be an Aids explosion in China in 5-10 years' time," he says. According to official Chinese statistics a mere 989 HIV positive cases had been reported to the ministry of public health by the end of last year, but this almost certainly understates the problem. Mr Wan believes that numbers infected may well exceed 100,000, and could

**The government realised the disease would cause serious social and economic trouble, writes Tony Walker**

run into millions fairly soon.

Mr Wan is also worried about the spread of Aids among prostitutes, now that the world's oldest profession is being practised fairly freely on the streets, and in the bars and discos of Chinese cities.

Indeed, Mr Wan journeyed to a city disco where he tried to convey the message to prostitutes. His reception was not all that encouraging, with one young woman insisting that "Aids is very far from Beijing."

Mr Wan has instituted anonymous Aids discussion groups and Aids "hotlines" which are now operating in five Chinese cities. Volunteers counsel callers who fear they may have contracted the disease.

A big problem in China, however, for the health authorities in their efforts to encourage Chinese to have voluntary Aids test is a fear of confidentiality will not be respected.

Mr Wan is surprisingly outspoken in his criticism of what he perceives as a slack official response to the Aids challenge. The health ministry's approach is to tell people not to have sex, they don't tell them how to have safe sex, he says.

Dr Li Jingwu of the Department of Epidemic Prevention at the health ministry exhibited what might be regarded as a fairly unsympathetic view. "We have many ways to control the problems of prostitution and homosexuality - we can lock them all up, can't we," he said in an interview.

"Just let the foreign human rights groups denounce us, so long as we are preventing these people from further spreading this dangerous thing."

Dr Li said that, in any case, his ministry was much more concerned about the possible spread of HIV by way of contaminated needles used in rural clinics where cost and sheer weight of numbers have meant that many patients are obliged to share needles.

The health ministry official also expressed concern about the Aids threat in China's southern Yunnan province which adjoins the "Golden Triangle" of Burma, Laos and Thailand. Some 300,000 Yunnanese are estimated to be drug addicts.

Dr Li also rejected Mr Wan's criticism that not nearly enough was being done to educate people about the spread of Aids in the world's most populous country. The government, he said, spent \$4m on Aids education in 1992 and had stepped up its counselling efforts among high-risk groups.

"I think the government has realised that sooner or later Aids would cause serious social and economic trouble if we don't take drastic measures now."

## Fear of redundancy haunts even Japanese company loyalists

Michiyo Nakamoto reports on the costs of hidden unemployment

**A**JAPANESE executive returned to Tokyo from business in the US recently to find that his job had gone. He is still on the payroll but now he gives lectures on sexual harassment to colleagues being posted abroad.

He is one of a rising number of employees at Japanese companies whose roles are redundant but who are still on the payroll because of the Japanese corporate aversion to compulsory redundancy.

*Rigyo-nai shitsugyo*, or unemployment within companies, has become a growing concern as companies struggle to cut costs in the face of a persistent economic downturn. Research institutes warn that unemployment, officially only 2.3 per cent at 1.67m, will rise sharply if economic activity fails to revive and companies start to shed already "redundant" staff.

Nikkei Research Centre estimates that more than 600,000 paid workers were redundant in all industries, excluding construction, in the fourth quarter last year, the highest level of internal unemployment since

the previous peak after the first oil shock in the 1970s. Nikkei Research Centre believes the number is even higher. It estimates that in manufacturing alone *rigyo-nai shitsugyo* in the fourth quarter of last year was 1.15m.

The Bank of Japan, in its latest quarterly business survey, says the proportion of manufacturers believing they have excess labour rose to 19 per cent from 13 per cent in the previous survey.

Company after company has announced plans to cut recruitment next year, and several, including NTT, the telecommunications group, and Japan Air Lines, have announced plans to reduce significantly the number of employees on their payrolls over a number of years. But there is concern that corporate Japan is doing too little to deal with the burden of excess labour.

Faced with recession and dwindling profits, large Japanese companies have generally cut staff costs by reducing overtime and bonuses, hiring fewer contract employees and cutting the number of recruits.

Pay increases for Japanese office workers this year were the lowest since 1987, a private survey revealed yesterday, Reuters reports from Tokyo.

The rises for the fiscal year starting April 1 averaged 3.83 per cent, said the survey conducted by the Japan Federation of Employers' Associations.

It said the average monthly salary increase of ¥10,787

Some are moving workers into areas where demand is stronger and seconding some to subsidiaries; some are even asking staff to stay at home.

Voluntary early retirement is a last resort, while compulsory redundancies are still unheard of among virtually all large corporations. Pioneer, which makes compact disc players and video equipment, caused an uproar earlier this year by forcing 35 of its senior directors into early retirement.

"People are not things," says Mr Tsuyoshi Kawanishi, senior vice president of Toshiba. "We must find a way to employ our

(894) was ¥2,562 less than in the previous year.

The survey was based on questionnaires sent to 336 large companies, 75 per cent of which responded, Nikkei research said.

The highest rise among industries polled was the hotel sector, which registered a 4.8 per cent or ¥11,853 increase, while wages for workers in the steel industry rose by 2.64 per cent or ¥7,500, it said.

Toshiba has taken many of the regular steps Japanese companies employ to cut staff costs, and it has taken back work previously contracted out to keep its own staff busy.

Many of the Japanese corporations curtailing employment are having to pay for the high number of recruits they took on in the boom years of the late 1980s. Fujitsu, Japan's largest computer company which is cutting recruitment to 300 next year, took on nearly 4,000 in 1989.

Nikkei Research says that although industrial output fell rapidly from the autumn of

1991 onwards, manufacturers were still increasing the number of new recruits by about 3 per cent until the first quarter of 1992.

Nikkei warns there is a limit to the amount companies can achieve with cost-cutting measures short of redundancy.

Even those who dismiss the more alarmist pronouncements on internal redundancies are worried about the rising number of companies seeking voluntary redundancies.

Mr Yasuo Kuwahara, chief economist at the Federation of Labour Unions' Research Centre, believes it is difficult to quantify how many are internally unemployed, but he is concerned that unemployment could rise in coming months.

If job cuts start to feed through now, it is likely unemployment will drift up until the end of the year, assuming the first quarter was the bottom of the economic cycle (unemployment normally lags recovery by three quarters).

"But then again we don't yet know if the first quarter was the bottom," says Mr Kuwahara.



Malaysia's king, Sultan Azlan Shah (left), pictured with Emperor Akihito of Japan, while national anthems are played during a welcoming ceremony at the state guest house in Tokyo yesterday

## Ramos takes emergency powers to cope with crippling power cuts

By Jose Galing in Manila

**P**RESIDENT Fidel Ramos of the Philippines yesterday signed a bill giving him emergency powers to deal with electric power shortages that have disrupted the economy.

Daily power cuts, lasting six to eight hours, have occurred since the year began, sometimes in peak hours, disrupting industry and households.

The new law allows Mr Ramos to negotiate contracts for building new power plants, instead of having to go through the legal bidding process. This is expected to spur a 1,600 megawatt expansion of the Luzon grid, which services Manila and nearby industrial centres.

This would cover a shortfall in capacity and provide a reserve allowing refurbishment of existing plants. The president said the law "gives me the requisite mandate to more effectively address the problem," which is hampering his administration's efforts to pull the economy out



Fidel Ramos: gains power to split National Power into smaller units for privatisation

of recession and catch up with more prosperous neighbours.

The government is targeting growth in gross national product of 3.5 to 4.5 per cent this year, after a stagnant performance in the past two years.

Manila businesses have been forced by the power cuts to lay off some 71,000 workers, according to Mr Nieves Confe-

A leading senator has attacked President Fidel Ramos over the privatisation of Philippine Airlines and said he has a moral obligation to regain control of the company, AP reports from Manila. Sen Arturo Tolentino said in a weekend speech the airline had no domestic competition and that privatising it had created a giant monopoly which the government wanted to reduce monopoly power. The government sold majority interest in the airline to a consortium, PR Holdings, last year.

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sign creditors, particularly the World Bank. A rate increase was approved last December but opponents secured a restraining order in the supreme court. The law circumvents the court embargo to satisfy conditions of creditors.

About \$110m (£73m) of new financing for new power projects can now be expected from creditors. It also allows Mr Ramos to reorganise the power company and possibly break it up into smaller units which could be sold to private investors.

Another provision of the law channels part of earnings from state-run gambling casinos into power projects. The state national electrification administration yesterday secured financing for acquisition of 104 mini-hydro power generators, with a combined capacity of 61 megawatts, to be installed in the provinces.

The generators, financed with aid from Britain, China, France, Norway and Australia, will be used to light homes and power irrigation pumps and rice mills in rural areas.

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## Kenya's tourist industry suffers big fall in revenue

TOURISM in Kenya dropped sharply last year, reducing hard currency revenues from the industry to \$395m from \$400m (1991m from \$266m) in 1991, a government official said yesterday, Reuters reports from Nairobi.

Mr Philomen Mwasikwa, permanent secretary at the ministry of tourism, blamed the sharp downturn in visits to safari parks or Indian Ocean beaches on reports in western countries, where most visitors come from, about attacks on tourists, tribal violence and political unrest.

"Imagined insecurity in Kenya has convinced European-based tourists that the country was not safe," he said.

The run-up to December's first multi-party polls in 28 years was marred by tribal violence. This, coupled with bandit attacks on tourists, led to a fall in hotel bookings of up to 50,000 bed-nights in the last five months of 1992, tourism officials say.

Last year, some 700,000 tourists visited Kenya after a record 814,000 in 1991. But many, enticed by cheap bucket-shop deals, kept their wallets closed while in the country.

Mr Mwasikwa said the government was fighting back with a vigorous campaign to revitalise the industry and woo visitors.

He said security in national parks would be stepped up, more roads would be built and accommodation would be improved.

"Protection of endangered species like elephants and rhinos has received priority," he added.

"Poaching has been reduced to almost zero and an elaborate security network put in place to ensure tourists' safety and increased comfort," he added.

The government has also begun aerial surveillance of game parks and issued advice about which areas of Nairobi are considered dangerous. Fears for the safety of tourists have been fuelled by attacks in game parks, particularly the Masai Mara reserve.

Germany and the US have warned their nationals not to go to parks while Britain and Australia have cautioned against travel in parks when unaccompanied by rangers.

Kenya, which rejected International Monetary Fund and World Bank-backed reforms last month, badly needs tourists to help purchase essential imports and service a \$7.1bn foreign debt.

President Daniel arap Moi, angered over an IMF refusal to reinstate critical balance of payments support of around \$40m a month, two weeks ago called a halt to liberalisation policies and said Kenya would go its own way.

**The government is fighting back with a campaign to revitalise the industry**

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## Pakistan seeks to allay US fears over terrorist links

By Farhan Bokhari in Islamabad

**M**R NISAR ALI KHAN, cabinet member and chief political adviser to Pakistan's prime minister, is due to arrive in Washington today for discussions with US officials over recent allegations that Pakistan was supporting terrorism in Indian-controlled Kashmir.

Senior Pakistani officials and politicians fear Washington might put Pakistan on a list of terrorist states alongside countries such as Libya and Iran.

but western diplomats in Islamabad discount the possibility. "They (Americans) are not likely to label Pakistan as a terrorist state," because it has not been involved in the same sort of anti-western campaigns as Iran or Libya, a western diplomat said.

The Bush administration considered terrorist allegations against Pakistan, last December, but decided not to press the case. Now the Clinton administration is reviewing the allegations.

The Pakistani visit is part of a recent effort by Islamabad to convince the outside world that the allegations are part of an Indian backed campaign to discredit Pakistan.

In addition to concerns over Kashmir, Pakistan has also come under pressure from Egypt over allegations that Arab terrorists carrying out attacks in northern Africa are being trained in Pakistan.

In addition to the Kashmir related concerns, Pakistan has recently also come under pressure from other sources. Last week, Prime Minister Nawaz Sharif gave assurances to the Egyptian President Hosni Mubarak that Islamabad would clamp down on Arab suspects who are allegedly being trained by Islamic activists in Pakistan.

While it appears unlikely Pakistan will be listed as a terrorist country by the US, Pakistan is taking the issue seriously, in part because "it only adds to previous strains over the nuclear issue," according to one official. Washington suspended military and economic aid to Pakistan in October 1990 after allegations that Islamabad was developing nuclear weapons.

Pakistan's paramilitary forces arrested the leader of a march on the Indian-defended ceasefire line dividing Kashmir yesterday, Reuters reports from Seri, Pakistan.

Officials ordered the arrest of the leader, Mr Mumtaz Hussain Rathore, and 102 followers after they threatened to storm a police barricade.

About 2,000 marchers in Seri, a small town 23km from the line of control, had staged a sit-in on the second day of the march, saying they would break through police barriers unless Pakistan opened routes into the disputed region.

The march was organised to show support for a three-year separatist rebellion in Indian-ruled Kashmir. Mr Rathore, leader of the Kashmiri branch of opposition leader Benazir Bhutto's Pakistan People's party, was arrested after army officers failed to persuade him to call off the march.

Earlier, he had appealed to the crowd to disperse.

The two-day meeting in Riyadh is the last in a series of talks by Gulf Co-operation Council (GCC) states, which control over half the world's proven oil reserves, to co-ordinate a unified position before talks with the European Community next month.

Mr Mohammad Sahlawi, spokesman for the Organisation of Petroleum Exporting Countries, was reported in the Saudi newspaper al-Riyadh as saying that Opec would continue to try to explain its opposition to the tax.

The foreign ministers were also discussing the stalled Middle East peace process, the United Arab Emirates' dispute with Iran over three strategic Gulf islands, and Iran's compliance with Gulf War-related UN resolutions.

The GCC groups Organisation of Petroleum Exporting Countries (Opec) heavyweights Saudi Arabia, Kuwait, the United Arab Emirates and Qatar with small independent producers Oman and Bahrain.

The six states fear the tax would reverse a projected rise in oil demand and hit earnings. The proposed US tax would levy around \$2.50 on each barrel of imported oil.

Gulf exporters are worried it will spur the EC to go ahead with plans for a similar tax, which could add \$10 over 10 years to the cost of a barrel of imported oil. Gulf oil ministers will take the proposals to a meeting in Oman in mid-April between Opec and other producers to map out a strategy to counter the tax.

"In the back of our mind we are aware that they could be useful to us in China, but that is not the reason we are doing it," says Mr Selway-Swift.

## HK services follow industry's path to mainland

High inflation fuels migration in search of lower land and labour costs, writes Simon Holberton

**I**N THE 1980s Hong Kong's manufacturing base moved wholesale to southern China in pursuit of cheap labour and land. Now its service industries are trying to do the same thing.

The colony's manufacturers moved back to the mainland in the mid-1980s after Deng Xiaoping's move to open the Chinese economy to market forces and foreign investment. They now employ about 3m in southern China, mostly in neighbouring Guangdong, and as a result Hong Kong's entrepreneurs control twice the industry they did before the move back.

Like their colleagues in manufacturing, the chiefs of the colony's service industries are seeking to take advantage of lower costs across the border. But the motivation is different: it has more to do with escaping Hong Kong's persistently high inflation than with vague feelings of nationalism or the sense of "going home".

Inflation in Hong Kong rose at an annual rate of 8.7 per cent in February, but underlying inflation - which excludes energy and food prices - is rising at an annual rate of about 11 per cent.

According to Mr Keith Ferguson, regional economist at W

I Carr, the stockbrokers, Hong Kong suffers from structural inflation.

"The two key constraints are land and labour and that shows up in two sub-indices of the consumer price index, services and housing, which have been growing at annual rates of 13 per cent and 15 per cent respectively," he says.

These constraints are compounded by the Hong Kong dollar's link to the dollar. For the past 10 years it has been fixed at a rate of HK\$7.8, which means that Hong Kong is unable to run a monetary policy independent of the US.

Interest rates track US rates, which have been designed to stimulate growth in a mature economy. In high-growth Hong Kong, low interest rates have fuelled stock and property market speculation, promoting asset price inflation.

An expansionary budget, introduced by Hong Kong's governor Mr Chris Patten in February, is also seen as promoting inflation. The Hong Kong government's fiscal balance moved from a surplus of more than HK\$20bn (£1.8bn) last year to a forecast deficit of HK\$3.5bn in 1993-94 - a change equivalent to nearly 2.5 per cent of gross domestic product.



Patten: deficit budget seen as adding to structural inflation

It is unlikely that banking, aviation and telecommunications will be able to relocate their operations with as much ease as manufacturers found. One estimate, by Hang Seng Bank, puts the potential relocation at less than 10 per cent of the services work force in Hong Kong, or about 120,000 jobs.

But, as Mr Rod Eddington, managing director of Cathay Pacific, Hong Kong's international airline, says: "Inflation is forcing Hong Kong business to rethink the way they do things. Either capital moves to labour or labour

moves to capital."

For Cathay, and its related companies, this has meant a bit of both. Cathay has relocated 200 "back office" accounts jobs to Guangzhou (Canton) for a salaries bill 25 per cent of what it was paying in Hong Kong.

It has also established a back-up computer centre in Sydney, and it is encouraging its pilots to opt for "home leasing", that is, for Australian, Canadian and European pilots, to live in their home country rather than Hong Kong.

"Cathay has much of its cost base in Hong Kong," says Mr Eddington. "Inflation has had a significant negative effect on our business. Our product is sold in an international market place where competitive pressures are truly international."

In a related development, Hong Kong Aircraft Engineering Company, Haeco, recently signed a joint venture agreement with the Xiamen special economic zone in Fujian province to build a US\$63m (244m) aircraft maintenance facility in the zone. The facility - which is expected to be operational in 1996 - will consist of a hangar capable of accommodating two Boeing 747s, together with supporting workshops.

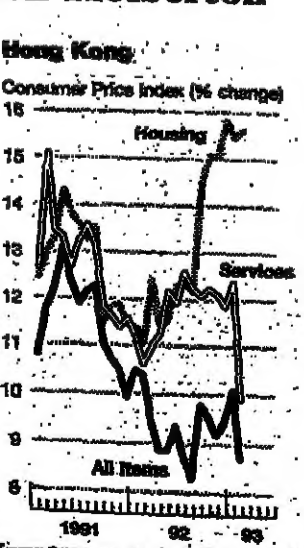
Again high costs of both labour and land is the motive for moving out of Hong Kong. Haeco has been employing and training mainland workers who will staff the Xiamen facility when it is completed.

Hongkong Bank was recently given approval by the Hong Kong government to recruit up to 350 workers from southern China to help it overcome staff shortages in its branch network.

Says Mr Paul Selway-Swift, head of the bank in Hong Kong: "I can't recruit enough tellers. I think there has got to be a move to try to take advantage of the pool of labour that exists across the border."

The importation of labour will not produce cost savings per se - the bank will house the people it recruits and that, together with salary, will equal the cost of a local hire - but it may help relieve the labour shortage.

"What has happened in the last few years is the growth in demand for service sector employees, especially in hotels and department stores. The new entrants have to pay more than us and when we raise pay so do they. Once we have trained someone it does not take much more training for them



to adapt to another job."

There is an added benefit for Hongkong Bank - similar to that for Haeco - from the importation of labour. It has service banking in China, and a land staff would be a useful resource to staff such an operation.

"In the back of our mind we are aware that they could be useful to us in China, but that is not the reason we are doing it," says Mr Selway-Swift.



## Text retrieval systems face competition probe

By Alan Cane

SIR Bryan Carsberg, director general of Fair Trading, has asked the Monopolies and Mergers Commission to examine the market for on-line text retrieval services.

It is an investigation which could have significant implications for the interpretation of copyright law.

On-line text retrieval services are typically provided by companies which store newspaper articles on business and financial subjects on their computer systems, delivering the information on request to a subscriber's personal computer.

The Office of Fair Trading says FT Profile, owned by the Financial Times Group, has a monopoly share of the UK market for such services. It says Profile is the only database of

its kind to be in a position to offer the full text of the Financial Times. "Other historical on-line databases in this market in the UK have to compete without this important information source because of the FT's copyright licensing policy."

The investigation comes at the end of 15 months of talks between the OFT and FT Profile. Mr Fred Perkins, managing director of FT Information Services, said the FT would co-operate fully with the MMC. The market also includes Maid Systems, a small London-based company, and two large North American organisations, Dialog and Mead Data, both with revenues of hundreds of millions of dollars.

Profile turns over £12m at present and is just profitable at the operational level after a 10-year struggle to break into the

international market for full-text electronic information retrieval.

It saw itself, Mr Perkins said, as part of the wider market for on-line business data, including companies like Etsel and Reuter worth some £700m a year in the UK.

He said the investigation raised fundamental questions about a publisher's ability to exploit its copyright material in all media and markets.

It would be obviously unfair, if, as a result of the investigation, the FT was required to make its text freely available to its competitors while it was denied the right to publish electronically, for example, the Wall Street Journal or the New York Times.

The MMC has nine months to report its findings to the Secretary for Trade and Industry.



A steward runs across the Aintree racecourse in Liverpool on Saturday waving a red flag after the false start of the ill-fated Grand National steeplechase

## Sport of kings run on a financial shoestring

By Michael Thompson-Noel

HOW did it happen? How could horse racing, which generates billions in betting turnover, fall so painfully and so publicly on its artfully-groomed face? How did the Grand National steeplechase at Aintree, Liverpool, last Saturday, end in fiasco?

After weeks, or even months, of infighting and back-passing the finger of guilt will be pointed unmercifully at two groups: the Jockey Club, which runs British racing, and the management of Aintree racecourse. The struggle to pass the blame will produce epic confrontations.

Despite the billions bet on horse racing, it remains amateurish at many levels - including the racecourses, many of which are owned by small companies run by people with inadequate training, aptitude or skills. Some racecourses - such as Ascot, owned by the Queen - are nests of snobbery.

In common with racing generally, the 59 British racecourses are suffering from the recession. In 1991, their estimated revenues totalled £64m, with costs of about £77m. However, they receive money from the Horserace Betting Levy Board - £7.1m in 1991 - which reduced their overall deficit that year to an estimated £6.8m, against £5.3m the previous year.

Many courses are run on a shoe-

string. Their facilities are often poor. They rely on low-paid helpers and officials. And they are at the mercy of the economic forces buffeting the sport.

Although recent tax improvements, including VAT changes in the Budget, will help racing, its fortunes have suffered in recent years as owners sold out or reduced their involvement because of rising costs and lower prize money.

Britain's 9,000 racehorse owners shouldered a total deficit in 1990 estimated by the sport at £152m. By now it may be greater. Between 1985 and 1992 the number of racehorse trainers fell from 1,018 to around 860, leading to staff reductions of more than 1,000.

And the total number of horses in training (both flat and jumps) fell from 14,000 to 11,500.

Meanwhile, the hapless stewards of the Jockey Club, meeting at their London headquarters yesterday, wondered how to minimise the damage done by the cancellation of the race. A full inquiry has been ordered.

As the world knows the race was declared void after officials failed to halt a majority of the horses and their jockeys following the second of two false starts. As a result, an estimated £60m in UK betting turnover is being refunded to punters; the government lost tax; and bookmakers lost hundreds of thousands in marketing expenses.

### Britain in brief



**Living costs fall 5.1%, says survey**

Living costs over the past year have shown their biggest fall for more than two decades, according to a study published today by the Reward Group, a consultancy.

A family with average needs in terms of housing and consumer purchases needed in February an income 5.1 per cent less than a year previously to maintain its standard of living, Reward calculates.

The findings, the biggest fall since 1973 when the survey began, support other indications of low inflationary conditions due to the recession. Housing costs for home owners fell by 18.7 per cent in the year to February, mainly due to lower interest rates.

### Skipper in court over fish clash

French skipper Michel Mesnage appeared in a Guernsey court yesterday charged with fishing illegally in British territorial waters off the island and with failing to comply with an order from a fisheries protection officer. The case was further adjourned until today.

### UK taxation

Taxation as a proportion of national income is set to rise this year to the highest level for four years, says the Adam Smith Institute. The figure will rise this year to 41.68 per cent from 39.43 per cent last year and 42.18 per cent in 1995.

### N Sea contract

Trafalgar House Engineering Contractors, part of the Trafalgar House group, has won a £25m contract for a production platform for the Markham field in the southern sector of the North Sea.

### Power licence

Cabot Energy, a company set up by a former financial analyst in the City of London to run power stations, has been granted an electricity generation licence by Oftec, the industry's regulator.

Mr Chris Rowland, formerly with Barclays de Zoete Wedd, said talks were continuing with National Power and PowerGen for Cabot to run surplus power stations.

## Leyland Daf appeal on parts

ADMINISTRATIVE receivers of truck and van maker Leyland Daf will urge the Court of Appeal this morning to avert a crisis for management buy-out attempts, writes John Griffiths.

If the receivers lose, management buy-out initiatives at the Leyland and Birmingham plants would be in difficulty because of a lack of parts.

The court will hear an appeal by Mr Murdoch McKillop and Mr John Talbot, the joint receivers for Leyland Daf, against a High Court decision in London last week not to

compel Automotive Products, a subsidiary of the BBA engineering group, to continue supplying components.

The components, chiefly brake assemblies and some clutches, are used at both the truck assembly plant at Leyland in Lancashire and the van plant in Birmingham.

Automotive Products is refusing to deliver brake and clutch components until it is paid more than £758,000 which it says it is owed for parts supplied before Leyland Daf went into receivership in early February.

At the time of the hearing, the receivers warned that production could be halted at the van plant as early as yesterday and that truck assembly could end later this week. However, the receivers said yesterday that a rescheduling of production operations around the Easter holiday meant that the plants were unlikely to be halted before the middle of next week.

It is understood that about 15 companies are refusing to supply Leyland Daf, although the Automotive Products case is the most critical.

## Barclays raises credit card charges to small retailers

BARCLAYS has told about 40,000 small retailers that the amount they are charged per credit card purchase is to rise by 8 per cent from this month unless they pay £35 a month to rent electronic card checking machines from the bank, writes John Capper and Ivor Owen.

The increase is part of an effort by high street banks to raise charges to retailers for card transactions because their card-handling subsidiaries - known as merchant acquirers - have been making only small profits, or losses.

National Westminster said it had not raised charges, but it is expected to re-examine them next month. Lloyds said it was raising credit card transaction charges by an average of 0.2 percentage points of purchase values.

Mr Richard Reay-Smith, chief executive of Barclays' retail services division, said the bank was trying to give small retailers an incentive to take on electronic checking systems that would reduce the amount of fraud.

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## ECONOMIC DATA

# UK may turn to US model for forecasts

By Peter Marsh,  
Economics Correspondent

A KEY part of preparing the UK government's much-criticised economic forecasts could be contracted out to a US company under proposals put to the Treasury.

Massachusetts-based DRI is the world's biggest economic consultancy and its clients include General Motors, IBM, Exxon and British Petroleum. It says that running the Treasury's computerised model of the UK economy is "not impossible" and would add to its prestige.

If DRI and the Treasury agree a deal, the secretive process would receive the biggest shake-up since economic forecasts started in the 1940s.

DRI, owned by the McGraw-Hill media and financial services company and with annual revenues of about \$60m, would scrap the Treasury's model, run by an in-house team of about 30 economists and replace it with one maintained by its own economists and software experts. The Treasury model, last updated in 1988, is a computer containing more than 100 mathematical equations. It links factors such as unemployment and taxation and is a tool used to forecast likely output growth and inflation. The Treasury would neither confirm nor deny whether

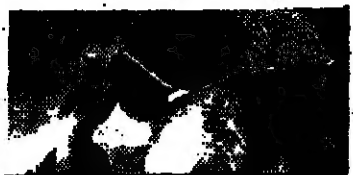
talks with DRI are taking place on the grounds that it did not want to influence possible negotiations with other companies. It is examining the possible contracting-out of its computerised model as part of a Whitehall-wide scheme to encourage more private-sector involvement in government activities. The cost of Treasury forecasts - of which two a year are published though more are worked on internally - is an estimated £750,000 a year.

DRI, with 450 staff of which 80 per cent are in the US, would base any work for the Treasury on its expertise in modelling parts of the North American economy on behalf of about 30 US states, including New York and California.

Under DRI's plans, Treasury ministers and officials would continue to be responsible for published UK forecasts. However the basis for how these are worked out would be left to a non-government agency, one step removed from political constraints.

In recent years, Treasury forecasts have been criticised for under-estimating both the extent of the late 1980s boom and the recession. Even though these shortcomings have been shared by many private-sector forecasters, some politicians and industrialists believe the Treasury projections have been "massaged" to provide a favourable view.

## Enough official green shoots to make a salad?



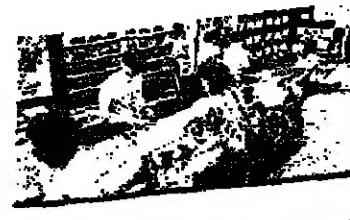
Manufacturing output up 1.7 per cent on year

**INDUSTRY**  
 @Industrial production - January manufacturing output up 0.6 per cent on month, 1.7 per cent on year  
 @CBI Industrial Trends - balance of 10 per cent of companies polled in March say they will boost output  
 @Purchasing managers index - up to 53.9 in March  
 @Business failures - Dun & Bradstreet says 1st quarter liquidations down to 5,287 from 5,803 the year before

**HOUSING**  
 @Nationwide Anglia building society says UK house prices rose 1 per cent in March

@Housing starts up seasonally adjusted 14 per cent in three months to February compared with previous three months  
 @Building society mortgage commitments - up 40 per cent during February  
**CONSUMER DEMAND**  
 @Retail sales volume - up 0.2 per cent in February, 2.4 per cent on year  
 @New car registrations - up 4.5 per cent year to February against February last year  
 @New car registrations - up 15 per cent in February against February last year

UK house prices rise 1 per cent



Retail sales volume up 2.4 per cent on year

**TRADE**  
 @Export volume to non-EC nations - up 4.5 per cent in three months to February (excluding oil and erratics)  
 @Import volume from non-EC nations - up 6 per cent in three months to February (excluding oil and erratics)  
**CREDIT**  
 @Consumer credit - up £151m in January  
 @Bank and building society lending - up £200m in February  
 @Broad money (M4) - up 3.4 per cent in year to February  
 @Bank notes in circulation - up 5.3 per cent in the week

to March 31 over the equivalent week a year ago  
**LABOUR MARKET**  
 @Unemployment - down seasonally adjusted 22,000 in February  
 @Job Centre vacancies - up adjusted 17,800 in February  
**CONFIDENCE**  
 @FT-SE 100 index down 52.2 points to 2,098.8 on Friday April 2 (from 2,922.1 four weeks before)  
 @Consumer confidence - at an all-time low, according to 3 post-Budget Daily Telegraph-Gallup poll, but NCR's The Times says the public is now less pessimistic

Signs of a modest revival in consumer demand have begun to raise hopes of UK economic recovery. The outlook for unemployment and new credit business remains bleak but the governor of the Bank of England thinks that "in all probability" the recession is over. Mr Chris Dillow, UK economist of Nomura Research Institute in London, says there are "enough green shoots to make a salad" but the downturn in Germany and other Continental markets bodes ill for exports and consumer confidence at home remains fragile. Above is a round-up of recent indicators

## Jobless 'set to peak at 3.1m'

By David Goodhart,  
Labour Editor

**UNEMPLOYMENT** will continue growing for only a few more months, peaking at 3.1m, but will still be around 2.5m by the end of the century, according to the annual review of the economy and employment by the Institute for Employment Research.

The IER expects a net 500,000 additional jobs by 2,000, most of which will be part-time jobs taken by women in the service sector. The female labour force is expected to grow by 500,000 over the next decade.

The trend away from primary and manufacturing industries to the service sector will continue, with manufac-

turing expected to lose another 600,000 jobs over the next decade. The new jobs will also continue the trend towards a more divided labour market with many being low pay/low status jobs and others being relatively high-pay/high status.

The growth in clerical and secretarial jobs, which now account for just over 4m jobs, will stop thanks to new technology and there is an expected decrease of around 180,000 by the end of the decade.

Skilled manual jobs will decrease by about 500,000 and plant and machine operatives by about 400,000 by the end of the decade. Utilities will lose about 30,000 by 2,000 with the biggest decrease in electricity.

An increase of 750,000 is projected for managers and administrators with a further 800,000 new jobs in professional and associate occupations.

Part-time jobs accounted for the whole of the 1.2m increase in employment between 1980 and 1990 and an extra 750,000 are expected before the year 2,000 with 300,000 in health and 350,000 in education.

The growth in self-employment, in the 1980s concentrated in construction and parts of the service sector, is likely to pick up following the decline in 1991 and 1992. About 200,000 additional self-employed jobs are expected before the end of the decade increasing its share of total employment from 12.3 per cent in 1991 to 12.8 per cent in 2,000.

## Consumer credit demand slackened in February

By Peter Marsh,  
Economics Correspondent

**DEMAND FOR credit** by consumers slackened in February, but remained above the depressed levels of last year, according to government figures released yesterday.

New borrowing through finance houses, building societies and certain bank credit cards rose a seasonally adjusted 949m in February, after a £151m rise in January.

Extra borrowings - taking into account repayments and excluding mortgages and bank overdrafts - in the three months to the end of February totalled £305m, well above the £24m in the three months previously.

The Central Statistical Office data reinforce recent indications of a muted recovery. This interpretation was also supported by Bank of England figures on the M0 narrow measure of money supply and by the CSO's latest set of cyclical economic indicators.

M0, which is mainly notes and coins in circulation, rose by a strong 4.5 per cent in the

Confidence about order prospects among UK exporters has fallen in the past three months, according to a survey by DHL, the international distribution company.

Its export confidence index, based on replies to a survey, stood at 51 in the first quarter after 56 in the fourth quarter of last year and 53 in the third quarter.

The survey underlines how the weak state of many foreign industrial economies may damp growth in the UK.

year to March, compared with a 4.5 per cent year-on-year rise in February.

The longer-leading index compiled by the CSO, which is supposed to give advance warning of economic growth, registered 108.6 in February, after 108.9 in January.

In February consumers showed less willingness to use bank credit cards to increase borrowings.

They repaid a net £8m on cards which are part of the Visa or Mastercard systems, after borrowing £20m on these cards in January. In the three months to the end of February

net repayments on cards came to £11m, after repayments of £63m in the previous three months.

Total new consumer credit in February taken through cards, building societies and finance houses was £4.38bn, after £3.93bn in January. Between December and February new credit came to £12.95bn, up from £12.37bn in the previous three months.

The CSO published revised estimates of the amount of credit borrowed in the last six months of last year which indicate demand for lending in the final quarter was higher than previously thought.

Consumer loans through retailers, building societies, all types of credit cards and other credit agencies rose by £291m in the final quarter rather than the £153m initially estimated.

The corresponding figure for the third quarter was £293m, after a £292m first estimate.

Overseas institutions bought £1.031bn worth of gilts in February, the biggest monthly figure since June 1991, according to figures from the Bank of England.

During the month total gilt sales came to about £3.3bn.

## Venture capital industry revives in recession

By Charles Batchelor

THE UK venture capital industry bounced back in 1992, increasing the amount of money invested by 15 per cent to £1.4bn as venture capitalists took advantage of cheaper investment opportunities created by the recession. The year before investments had fallen by 17 per cent.

There were no signs of a shift away from relatively less risky, later stage investments which accounted for 57 per cent of deals by number and 29 per cent by value, the annual report of the British Venture Capital Association says.

Management buy-outs and buy-ins accounted for 26 per cent of deals by number and 64 per cent by value. Early-stage

investments accounted for 17 per cent of deals and just 7 per cent of the sums invested.

British venture capitalists invested in a total of 1,297 companies around the world in 1992. Of total investments 88 per cent or £1.2bn were made in the UK, in 1,147 companies.

Consumer-related businesses continued to dominate investments by sector, attracting 32

per cent of the amounts invested.

The south-east accounted for the largest number of investments by region, attracting £550m of funds or 44 per cent of the total - proportionate to the region's share of business activity. Across the rest of the UK investment was spread fairly evenly by region.

Fund-raising by the indepen-

dent venture capital companies fell to £347m in 1992 from £368m the year before, with pension funds continuing to be the most important source of finance. The 1992 figures include for the first time loans directly linked to equity investments by the same venture capital group so are not directly comparable with those of previous years.

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# A slowly tightening noose

The government's campaign to reduce red tape has made further progress with the appointment last month of the chairman of the seven deregulation taskforces. But as the company featured here illustrates, conflicting demands for consumer protection will make for difficult choices.

The Growing Business Page is running a series highlighting businesses entrapped by red tape.



JACK Maddox set up a pension scheme for himself and for the co-founder of his Liverpool-based advertising and marketing agency 14 years ago, but now wonders if this was sensible.

Maddox says his two-person pension scheme, now extended to cover four directors, is faced with a growing weight of regulation - with the possibility of more to come in the wake of the Maxwell scandal.

When Maddox established what is known as a small self-administered pension scheme in 1979 the setting up and monitoring costs were modest. An actuary's report on the progress of the scheme was required only once every three years.

A tightening of the rules has since led to a requirement that accounts must now be filed each year, requiring the use of a registered auditor and the scheme's actuary. The growing burden of legisla-

It will award a bottle of Laurent-Perrier pink champagne to each one featured.

The owner managers of independent businesses are invited to describe their experiences - on no more than two sides of A4 please. Letters should be addressed to Charles Batchelor, Growing Business Correspondent, Financial Times, Number One, Southwark Bridge, London SE1 9HL or faxed to 071 873 3933.

tion on the professions has meant that auditors and actuaries are becoming more painstaking in their approach and their costs have risen sharply.

"What used to be a small, easily administered fund has become a federal case," says Maddox, chief executive of Michael Bungey DFS, which has 12 full-time employees.

He calculates that allowing for inflation, the £1,000 minimum annual professional fee he is now charged would amount to £70,000 (£80,000 if start-up costs were included) over the life of a 30-year scheme. "That amount would buy a lot of pension but the fund members will see none of it," he says.

Small, self-administered pension schemes, sometimes referred to as directors' plans, serve a double purpose. They allow participants to provide for their pensions and, since funds in the scheme can, since funds in the scheme can, be invested back into the business, represent a valuable additional source of



Jack Maddox: 'No one with his own pension scheme will rip himself off'

finances for small firms.

In a broader economic context, these schemes recycle funds generated by small firms back into the sector, compared with the payment of insurance premiums which are usually invested in large companies or in government securities. They also avoid the payment of substantial management charges to insurance companies.

The tightening regulatory noose has meant that businesses such as Michael Bungey now face extra

costs. "Today, in the same position, we would avoid a self-administered scheme because a number of better and more lucrative alternatives exist," says Maddox.

"What seems to be forgotten is that the scheme is the managers' own fund. They have no interest in robbing themselves, so why are the controls excessive?" Maddox has registered his concerns with the Pension Law Review Committee, set up in the wake of Robert Maxwell's death and the discovery of a large

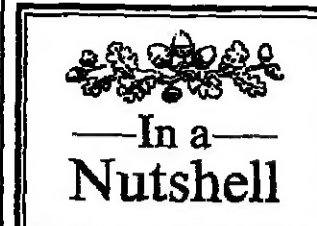
shortfall in the Mirror Group Newspapers pension fund. This committee, which is due to report by September, is carrying out a wide-ranging review of occupational pension schemes, including the issue of the appropriate degree of regulation.

In principle, the small self-administered pension schemes are designed so that small companies can operate them relatively easily, compared with the rules for the larger occupational schemes.

As well as the possibility of further legislation resulting from the pension law review, the European Commission is considering imposing tighter limits on the amounts which the schemes can invest back in the business. The managers of small, self-administered schemes are limited to "self-investing" 25 per cent of the assets during the first two years and 50 per cent thereafter. But Brussels has suggested an overall limit of 10 per cent on self-investment, despite the fact that no other EC country operates this type of small company scheme, says Dryden Gilling-Smith, managing director of Employee Benefit Services, a consultancy.

Maddox contrasts the tightening of reporting rules for small company schemes with the relaxation of filing requirements at Companies House. "There is no trading data now, only balance sheet information," he says. "That makes fraud much easier. But nobody who has his own pension scheme is going to rip himself off."

The Department of Social Security says the government has to strike a balance between encouraging employers to set up pension schemes and safeguarding the rights of pensioners. It queries whether an annual audit is particularly onerous.



## Paying over the odds for overdrafts

Many small firms pay between 5 and 10 per cent above base rate for overdraft finance, according to a survey of Northern Ireland businesses.

Thirty per cent of firms with overdrafts paid interest at 5 per cent above base or higher. Some companies in the services sector paid 10 per cent above base - a total of 16 per cent - while manufacturing companies paid up to 9 per cent above base.

These were not isolated cases and possibly reflected a failure to appreciate that rates were negotiable, the authors noted. One in six service businesses and one in 10 manufacturers were unaware of the rates they were being charged. The survey covered 1,000 firms employing fewer than 100 people each.

The Second Northern Ireland Small Business Survey, Anita MacNabb, Northern Ireland Small Business Institute, University of Ulster. Tel: 0332 36060. EIS.

## Home-spun business advice

Tell people you are working from home and you run the risk of appearing unprofessional. Yet many small businesses do start up in a back room or garage, while more and more executives are setting up as consultants after redundancy or retirement.

Home Run is a magazine providing advice for the home-based business owner on subjects such as dealing with the bank manager, choosing a computer and marketing.

Published 10 times a year. Annual subscription £72. 79 Black Lion Lane, London W6 9BG. Tel: 081 741 3440.

## Learning a degree of management skill

The Open University (OU) has launched a Certificate in Small Business Management to help owners, managers and advisers improve their management and business planning skills.

The certificate can be obtained through two five-month courses covering Core Skills in Small Business Management and Focus on Growth, each costing £450. The OU has completed regional trials of the scheme and is now running a national pilot programme to cater further to the needs of business and other vocational qualification schemes. The pilot programme is being managed jointly with local Training and Enterprise Councils and chambers of commerce.

Contact Jayne Usher, Customer Service Centre, The Open University, Walton Hall, Milton Keynes, MK7 6YU. Tel: 0908 653473.

## French students step into work

The Shell Technology Enterprise Programme (STEP) has been placing students with small and medium-sized companies for eight-week summer vacation projects for the past seven years. This year it will give UK companies the choice of a French student for the first time.

In a pilot project confined in its first year to London, undergraduates from French universities will take part. Companies keen to expand their activities in France or elsewhere in the single market will be particularly suitable, STEP said.

A total of 1,000 students from UK universities are expected to take part in the STEP programme this year. The host employer pays half their weekly salary of £100.

Contact Sue Krantz, Euro-Step co-ordinator, London Enterprise Agency, 4 Snow Hill, London ECL4 2BS. Tel: 071 236 3000.

## Increasing the employers' burden

Some small businesses are worried that government attempts to collect child maintenance payments from parents' pay packets will add to the workload on employers and damage employee relations.

The Federation of Small Businesses, which has 58,000 members, has criticised plans by the Child Support Agency to issue deduction from earnings orders if other methods of obtaining payment fail.

This latest burden comes on top of attachment of earnings orders which can be used to collect council tax payments and is at variance with the government's commitment to cut red tape, the federation said.

## Single market update

How are you coping with the European single market?

You can improve your hand by reference to a clutch of new books which provide help and guidance on dealing with the new Europe.

The Handbook of European Business Contacts 1993-94 (Coit Books, 226 pages, £24.50) by Gerard Dawson and the Association of British Chambers of Commerce provides useful lists of hundreds of business support organisations, trade associations and government offices throughout Europe.

It gives a brief economic profile of the 12 EC member countries includ-

ing comprehensive lists of local chambers of commerce - important because of their statutory role in most EC countries where they are the main repositories of business information.

One important source of cross-border business is the government contracts which have been opened up by EC public procurement policies. The problem for the smaller business, in particular, is knowing where to go for information.

Eurobudget '93 (Fourth Edition, London Chamber of Commerce, 224 pages, £95) by Michael O'Hagan and others, provides brief explanations of the EC budget process followed by details of all the budget lines open to outside bidders and the officials responsible.

This is a handy short-cut to information otherwise only available from a time-consuming study of EC budget documents but would benefit from a less terse introduction.

If your business dealings in Europe involve negotiations with a French business, Negotiate in French and English by Pamela Sheppard and Bénédicte Lapeyre (Nicholas Brealey, 138 pages, £9.99) provides a bilingual guide. It explains the French approach to negotiations and the terminology they use in situations ranging from establishing goodwill, through doubts and deadlock to compromise and agreement.

Intended for the businessman or woman with a good basic grounding in French, this fascinating book provides, in context, the phrases which cannot be found in general or business dictionaries.

For the businessman who wants to start from scratch The Economist Guide to the European Community (Revised edition, Century Business, 262 pages, £14.95) by Dick Leonard provides an informative overview of the EC's history, role and institutions.

This guide covers a lot of ground but retains a lively style.

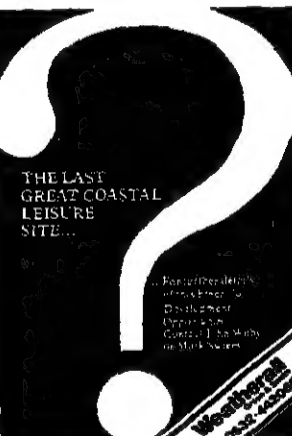
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Parties interested in receiving further information should reply in writing to: Richard Burns (EP 8.092), Partner, Coopers & Lybrand, 1 Embankment Place, London WC2N 6NN. Facsimile: 071-213 1330.  
Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.



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## GOVERNMENT OF GHANA

### Divestment of State interest in enterprises

In pursuance of its divestiture programme, the Government of Ghana (GOG) is inviting private participation (corporate or individuals) in the ownership and management of the underlisted enterprises. Dates for submission of (investor) proposals are indicated against each enterprise.

Name of Enterprise	Nature of Business	Closing Date for Submission of Proposal	Special Requirements
<b>GROUP A</b>			
1. Gihoc Pharmaceutical Company Limited	Manufacturer of Pharmaceutical Products	April 30, 1993	Joint Venture/Public Share Offering Intended.
2. Gihoc Fibre Products	Jute Bags Manufacturing	April 30, 1993	
3. Automotive Technical Service	Vehicle Assembly	April 30, 1993	
4. Gihoc Meat Processing Company Limited	Meat Products	April 30, 1993	
5. Africa Timber and Plywood	Timber Industry	April 30, 1993	Joint Venture Preferred.
6. Gihoc Boatyards-Tema	Boat Building	April 30, 1993	
7. City Hotel (Kumasi)	Hotel	April 30, 1993	
8. Gihoc Vegetable Oil Mills - Tamale	Processing Vegetable Oil	April 30, 1993	
9. Gihoc Marble Company Limited	Tiles	April 30, 1993	Projects/units would be separately divested. District Assemblies and local investors would be encouraged to participate.
10. Gihoc Paints Co. Ltd	Paints manufacturing	April 30, 1993	
<b>GROUP B</b>			
11. Ehwia Wood Products	Timber Products	June 15, 1993	Joint Venture Preferred
12. Gihoc Refrigeration Company Ltd.	Production of Fridges	June 15, 1993	
13. Bona Tyres Co. Ltd	Tyre, Inner Tube Manufacturing	June 15, 1993	
14. Amerbia Farms	Dairy Products	June 15, 1993	
15. Pomadze Poultry	Poultry Farming and Feed Mills	June 15, 1993	Units comprising of vehicle assembly plant, electrical lamps, chemicals, estates, etc. would be separately divested.
16. Prefab Concrete	Concrete Products	June 15, 1993	
17. Ghana Oil Palm Devt.	Oil Processing	June 15, 1993	
18. Elmina Hotel	Hotel	June 15, 1993	
19. All Regional Devt. Corporations	General Business	June 15, 1993	Units comprising of vehicle assembly plant, electrical lamps, chemicals, estates, etc. would be separately divested.
<b>GROUP C</b>			
20. Giksten W/A Ltd.	Timber Products	August 16, 1993	Joint Venture Preferred
21. Ejura Farms	Poultry and General Farming	August 16, 1993	
22. Navrongo Catering Rest House	Hotel	August 16, 1993	
23. Bolgatanga Catering Rest House	Hotel	August 16, 1993	
24. Gihoc Footwear	Footwear Manufacturing	August 16, 1993	Units comprising of vehicle assembly plant, electrical lamps, chemicals, estates, etc. would be separately divested.
25. Meridian Hotel - Tema	Hotel	August 16, 1993	
26. Bunoa Poultry Farm	Poultry	August 16, 1993	
<b>GROUP D</b>			
27. Sanyani Catering Rest House	Hotel	October 15, 1993	Units comprising of vehicle assembly plant, electrical lamps, chemicals, estates, etc. would be separately divested.
28. Ho Catering Rest House	Hotel	October 15, 1993	
29. Kentinkrono Poultry Farm - Kumasi	Poultry Farming	October 15, 1993	
30. NIC Group of Companies	General Business	October 15, 1993	
31. GHASEL Komenda	Sugar Manufacturing	October 15, 1993	Units comprising of vehicle assembly plant, electrical lamps, chemicals, estates, etc. would be separately divested.
32. Ghana Manufacturing Co.	Bags, Suitcases Manufacturing	October 15, 1993	

Except where a specific mode of divestiture is indicated, prospective investors may indicate their preferred divestiture option - (outright purchase, joint venture, lease, etc.)

Interested investors may obtain application forms to register their interest from the Secretariat of the Divestiture Implementation Committee (DIC), located at No. F35/5 Ring Road, North Labone near Omari Bookshop; Tel. 772049; Fax 773126. (Details of requirements for formal proposal will be provided to investors upon registration of interest).

Proposals should be submitted to the DIC in sealed envelopes, clearly marked and addressed to: The Executive Secretary, Divestiture Implementation Committee, P.O. Box C102, Cantonments, Accra, Ghana.

Investors who have already submitted proposals in respect of any of the listed enterprise and wish to update their proposals should do so within the stipulated dates.



The collapse of Taurus, the London Stock Exchange's planned paperless settlement system, has forced UK financial institutions to think again about the future of their operations for the confirmation and settlement of securities trading.

One likely recipient of the resources freed by Taurus's demise is electronic trade confirmation (ETC), an automated screen-based process designed to shorten the time taken to confirm equity or fixed-income trades between brokers and institutions.

The main advantage offered by ETC to the user is the reduction in the number of failed trades which can often turn into expensive errors for the parties involved. Furthermore, ETC eliminates the need for confirmation faxes or telexes, which in turn should lead to a streamlining in back office staff.

The introduction of ETC into the UK came about following an industry user group (IUG) initiative in December 1991, led by Fidelity, the Boston-based fund management group. But although many institutions were quick to acknowledge the advantages of the system, only a few have decided to install one of the three ETC systems which are now running.

The main reason offered by institutions for not giving ETC a higher priority was that many of them had already invested a considerable amount of money adapting their back office technology to the eventual start-up of Taurus.

These institutions have been forced to return to the drawing board. One of them is the Prudential, the UK's leading life insurance and financial services company and a big investor in financial markets in the UK and abroad.

"Taurus was our number one priority for 1993 but we are now re-evaluating our priorities. ETC is on this list," says David Hanson, the administration director of Pruden-

#### How ETC works



Source: Oasys Global

## The City takes stock

Antonia Sharpe looks at the benefits of electronic trade confirmation

tial Portfolio Managers.

The wider use of ETC is also the main objective of the IUG's new chairman, John Lambert, director of operations at Schroders Investment Management. "We have got to push much wider geographically - outside the UK - as well as go deeper within the UK," he says.

He adds that the prospect of a three-day rolling share settlement in the UK, as opposed to the current 14-day account system, means that ETC should also be considered by smaller financial institutions. Some of them still rely on brokers sending them contract notes in the post. "Speed will be of the essence when rolling settlement is introduced," says Lambert.

The collapse of Taurus has, if anything, brought rolling settlement much closer: it is being accorded a higher priority than before, with many in the City

urging its introduction this year.

Meanwhile, the three vendors selected by the IUG to build and sell ETC systems have all gone live. Institutions can choose from Trax, sold by the International Securities Market Association, the Stock Exchange's Sequel system, or Thomson Financial Services' Oasys Global system.

These systems allow users to confirm trades within the UK and across continental Europe. Oasys also provides ETC with Mexico and plans to have a base in Sydney in the third quarter to provide ETC in the Asia Pacific region.

So far, the response from users has been positive. John Bevan, transaction support supervisor at Fidelity, says that since January, when Fidelity started putting details of trades through Oasys, the main advantage has been the reduced risk of failed trades. "It has

made life easier but the main benefit will come when more people are involved," says Bevan.

At present, the three ETC systems operate independently, but there is an agreement in principle between the vendors to set up interfaces so that users do not have to subscribe to all three systems in order to confirm trades with each other.

However, progress on the links has been hampered by discussions about who will bear the cost of the development of the links and how the charges for using the links will be allocated among the vendors. The links are not expected to be in operation before the end of this year.

Lambert is keen to press ahead with the links which he believes are necessary for the success of ETC. For example, the existence of links

would benefit brokers in particular since they have had to install several systems in order to communicate with different clients.

For now, the use of ETC is mainly between brokers or brokers and institutions but it would appear logical that the same trade details already stored in an ETC system could then be sent on by the institution to its custodian bank with payment and delivery instructions.

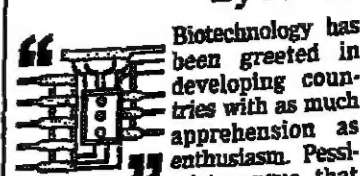
There has been an initiative to introduce such a system in Europe, known as EITC, since the end of last year. A similar system is already in use between institutions and custodians in the US.

However, this stage of automation may take time before it is widely accepted, mainly because UK institutions may be reluctant to surrender their long-standing links with their custodian banks.

#### Technically Speaking

## Sowing the seeds of productivity

By Frances Williams



Biotechnology has been greeted in developing countries with as much apprehension as enthusiasm. Pessimists argue that the concentration of biotechnology research and development within commercial companies in rich countries means, at best, that the needs of the poor will be bypassed. Profit-seeking firms will inevitably concentrate on products of most interest to affluent farmers - on new wheat strains or leaner beef, rather than improved millet or cassava, food staples for many rural Africans.

Worse, there are fears that biotechnology could make the poor poorer. Research on genetically engineered substitutes for vanilla, coconut oil, cocoa and even coffee could destroy the livelihoods of millions of farmers in the third world, repeating on a far bigger scale the predations of enzyme-produced sweeteners on the world sugar market.

Increased production due to higher yields from disease and drought-resistant crops could glut world markets and push down prices - bearable for farmers who can afford to buy the expensive new seeds (and gene-related herbicides) that cut their growing costs, but potentially devastating for those who cannot.

Finally, the reduced need for labour to fertilise, weed and spray the fields planted with these new wonder crops could cut rural jobs and incomes, intensifying poverty and accelerating the drift to the overcrowded cities. Weeding especially is a task done mainly by very poor women.

However, a review of existing applications of biotechnology in developing countries by the International Labour Organisation\* suggests these fears are misplaced. Even today, biotechnology is not exclusively a preserve of the wealthy nations.

Many developing countries - from Mexico to Malawi - already have the skills and resources to exploit "second-generation" techniques based on micro-propagation, which involves producing plantlets from isolated plant cells

to yield identical crops. A micro-propagation laboratory to produce cloned plantlets costs perhaps \$250,000 (£176,000), small beer compared with the millions spent annually by third-world nations on imported chemical fertilisers.

Micro-propagation of potatoes in Kenya has doubled land productivity and profitability. China has gone further, developing resistant strains of rice and wheat with remarkable results.

In addition, micro-propagation for citrus growing in Mexico and tea planting in Malawi and Kenya actually boosted employment, as more hands were needed for planting, pruning and harvesting the extra crops. Jobs were also created in associated industries - the laboratories producing the plantlets and the factories processing the harvested crops.

Biologically-crafted crop strains also have big potential advantages for small, poor farmers, the ILO argues. Unlike their conventional counterparts, these strains do not require extra inputs such as water and fertiliser to realise better yields. On the contrary, they cut costs, save on resources, reduce the risk of crop loss and failure and, by improving storage qualities, may help small farmers bring their produce to market. In theory, the benefits of biotechnology should thus be shared more equitably.

To make sure that they are, countries need to adopt policies that encourage wide and speedy diffusion of biotechnology while limiting its adverse effects. The ILO argues that fair patent rules and greater competition between suppliers would help keep prices down and broaden access.

It also urges rich countries to scrap trade barriers to commodity imports that artificially stimulate work on substitutes and discourage research on new end-uses. Poor countries, it says, should do more to reduce rural inequalities and to promote adjustment to the new technology, which holds out the prospect of a more productive, efficient and greener farm sector.

\*Biotechnology: A hope or a threat? Edited by Ifthikhar Ahmed, Macmillan for ILO, 1992.

## Matsushita and Sony join forces

Matsushita, the world's largest consumer electronics company, is launching a high-definition laser disc player which it is procuring from rival Sony in its first Original Equipment Manufacturer (OEM) agreement.

The deal, in which Sony will supply Matsushita with a high-definition laser disc player, will be the first time Matsushita has marketed a product purchased in its entirety from Sony. Under an OEM agreement a manufacturer buys a product from another manufacturer and

markets that product under its own brand name.

It represents a significant shift in the strategy of Matsushita, which has competed fiercely with Sony.

The deal also highlights the growing trend among consumer electronics companies to procure products through OEM deals, so that they can focus their energies on areas where they have an edge over other manufacturers or which are more profitable. "Given [our] limited resources, we decided it was better to buy this product from Sony," Matsushita said.

Electronics companies must invest in R&D in a wide range of areas, the company explained. In order to bring products to the market swiftly, Matsushita concluded it would be better to co-operate with other manufacturers, rather than doing everything on its own.

Supplying products to the market through OEM agreements enables manufacturers to continue supplying consumers with a wide product range without having to manufacture everything themselves, which can be a costly and unprofitable. Hitachi has also been considering

buying low-cost PCs on an OEM basis with IBM.

The high price of developing new technologies has brought more consumer electronics companies together in an attempt to avoid another costly standards war.

The new laser disc player to be launched by Matsushita, for example, is based on a standard agreed by five of Japan's leading consumer electronics manufacturers - Matsushita, Pioneer, Sanyo, Sony and Toshiba. In addition to the high-definition laser disc player, Matsushita also announced the launch of a

high-definition television priced at ¥860,000 (\$5,700), one of the lowest in the market.

However, the company acknowledges that it faces a dilemma. In order for the market to grow prices must fall significantly. But it would rather not see prices fall rapidly, as prices of consumer electronics products have tended to in the industry's recent history, as this would prevent it from being able to recoup investment costs in HDTV over 20 years.

Michio Nakamoto

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## Court annuls Commission's pulp fines



The European Court of Justice has annulled the principal findings of a 1984 European Commission decision to fine 40 US, Canadian and Scandinavian woodpulp producers and three trade groups up to Ecu500,000 for operating a price fixing cartel on sales of woodpulp in the EC between 1975 and 1981.

The main evidence relied on by the Commission was parallels between both "announced" and "transaction" prices of woodpulp, though there was some evidence of direct contacts between some producers. US, Canadian and Finnish producers sought annulment of the decision on the grounds that there had been no concerted behaviour.

In 1988 the Court appointed experts to report on the Commission's findings of parallel pricing, and the evidence on which they were based.

Last week the Court annulled the Commission's finding of collusion on transaction prices on the grounds that it infringed the producers' rights of defence. The case against the producers on transaction prices had not been set out sufficiently clearly in the Commission's statement of objections.

In respect of announced prices the court said that a system of quarterly price announcements to customers did not in itself infringe EC competition rules. As the Commission had no direct evidence of concerted behaviour it was necessary to ascertain whether there could be another explanation for the observed parallels in prices.

The Court-appointed experts reported that the practice of quarterly announcements reflected producers' needs and market conditions. The near simultaneous price announcements could also be explained by market information passing quickly via buyers, common agents and a dynamic trade press.

Finally, the identical prices reflected an oligopolistic market. The Commission's finding of collusion was therefore not based on "a firm, precise and consistent body of evidence", and should be annulled.

A separate finding that US producers colluded on transaction prices in 1975 and 1976 was also annulled. However, the Court upheld findings that Finnish, Swedish and other European producers had colluded on hardwood pulp prices between 1973 and 1977.

Fines were annulled or reduced to Ecu20,000 and companies were released from price undertakings. *Joined Cases 89/104, 113, 116, 117, and 125-129/85: A Ahlström OY v Commission. ECJ 5CH. 31 March 1993.*

**Plasterboard Decision Upheld**  
THE Commission's 1989 decision fining British Gypsum for infringement of EC competition rules has been upheld by the Court of First Instance.

The Commission had fined British Gypsum and its parent, BPB Industries, Ecu3m and Ecu150,000 respectively for abuse of their dominant position in the plasterboard market. The companies asked the court to annul the decision or reduce the fines. They argued that the Commission had infringed their rights of defence by failing to disclose all the documents in its possession. They stressed that they had not been given access to documents supplied to the Commission by third parties.

The Commission argued that the contested decision was based exclusively on documents to which the companies had access; in any event, it argued that the rights of defence in competition matters did not entitle parties to proceedings to have access to all documents in the Commission's possession.

The Court found there had been no infringement of the companies' rights of access to the Commission's file. It said the Commission was entitled to restrict access to third party documents because of their confidential nature. Such documents should not be revealed to dominant companies which were capable of retaliatory action against companies which had helped the Commission in its investigation.

*T-65/88: BPB Industries and British Gypsum v Commission CFI 2CH. 1 April 1993.*

BRICK COURT CHAMBERS, BRUSSELS

The long-running legal battle over California's controversial system for taxing the operations of foreign companies has finally reached the US Supreme Court. Some time next month the justices will have to decide whether to review the nine-year-old case brought by Barclays Bank of the UK, which alleges that the state's unitary tax system is unconstitutional.

The case is being followed closely by a number of foreign governments and multinationals with subsidiaries in California, and it could spark the first confrontation with President Bill Clinton over his pledge to increase the overall contribution made by foreign companies to the US fiscal pot.

Under California's unitary tax system foreign-owned companies operating in the state are taxed on the percentage of their worldwide payroll, sales and property within California, rather than their locally earned income. Companies are liable to pay tax on this basis even if their California operations make no profit.

At issue in the Barclays litigation is more than \$500m in taxes plus interest paid by foreign multinationals into California's coffers up to 1988, when the state relaxed its unitary tax rules to allow companies to opt out of paying unitary tax in return for paying a fee.

The history of the litigation is complex. In 1984 Barclays Bank, with the support of other multinational corporations and several foreign governments, filed a lawsuit alleging the California system was unconstitutional as its so-called "worldwide combined reporting" regime interfered with the US federal government's ability to conduct foreign policy.

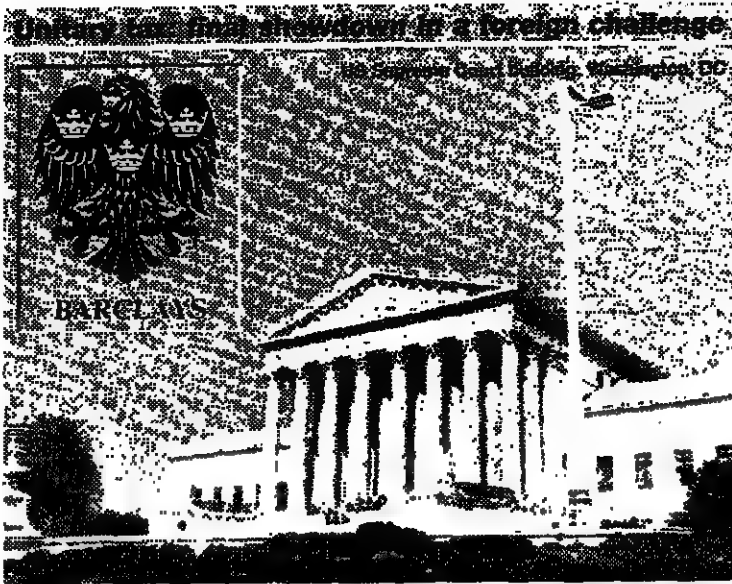
After several battles in California's lower courts the case reached the state's appeals court in December 1990 where the judges ruled in Barclays' favour. But in May last year the California Supreme Court reversed that decision. While acknowledging that four US presidents have opposed state unitary taxes, the California Supreme Court held that Congress, which holds power over foreign commerce, has not opposed the tax. The law "does not give executive [branch] officials carte blanche to declare state tax methods null when they irritate our trading partners," Justice Armand Arabian said.

The case has now reached the US Supreme Court along with two others which have been running in parallel - one involving Alcan Aluminium of Canada and the other Colgate-Palmolive, the US-based multinational.

In February Barclays filed a petition with the US Supreme Court for *certiorari* (to have the California

## Pacific hot potato

Barclays' challenge to California's unitary tax system has reached the US Supreme Court, says Robert Rice



Supreme Court's decision quashed. Alcan and Colgate are expected to file similar motions shortly.

The California Franchise Tax Board and others interested in filing *amicus* briefs, supporting either Barclays or California, have until April 21 to submit their views to the court before the justices decide on whether to review the case.

The state's fear is that if it loses either the Barclays or Alcan cases, domestic multinationals will also demand the withdrawal of the unitary tax on the basis that they have the right to equal treatment. That could cost the state as much as \$3.3bn in tax refunds and an estimated \$110m a year in revenue. The equal treatment argument lies at the heart of the Colgate case. Colgate is attempting to overturn an earlier US Supreme Court decision on the issue in which the justices upheld the basic fairness of California's "worldwide combined reporting" method of taxing US-based multinationals.

Will the US Supreme Court agree to review the Barclays case? Most US lawyers believe that the whole issue of the taxation of US subsidiaries of foreign multinationals has become such a political hot potato

since the US presidential election that the justices would find it hard not to accept the issue for review.

But the bigger question is whether President Clinton will support the California case as he promised to do during last year's presidential election campaign. Lawyers acting for California wrote to the new administration last month reminding the president of his campaign promise that "a Clinton administration would be pro-California in this litigation".

The state tax authorities know that unless the president specifically instructs the US solicitor general to file an *amicus* brief in support of the California case by the April 21 deadline the solicitor general will, as a matter of course, continue the policy of previous US administrations and file a brief in support of Barclays.

If the Clinton administration does follow through on the president's campaign promise, "it will be yet another indication of changes affecting foreign investment in the US as a result of the Clinton presidency," says Mr Charles Engross, a partner of Lord Day & Lord, Barrett Smith, the US law firm.

It could also produce the first con-

frontation between the US and foreign governments over America's tough new approach to the taxation of foreign multinationals.

Senior sources in the UK Inland Revenue confirm that the British government will be filing an *amicus* brief with the court in favour of Barclays' position and that Britain's stance will be supported by the EC member states and other governments around the world, including Canada and Japan.

Previous US administrations have always opposed unitary taxation of foreign-owned multinationals and have also been firm in their support of Barclays at each stage of the litigation, according to a Inland Revenue spokesman.

The UK government has been holding "high-level" discussions with the US administration and is confident of its continued support, he said. Earlier indications of a policy change came "before President Clinton was aware of the full international ramifications of the issue and the reasons for previous US administrations strong support for Barclays".

One of those ramifications is the possibility of retaliatory action against US multinationals by foreign governments. The UK took powers in the 1985 Finance Act, now enshrined in section 812 of the Taxes Act, to bar tax credits to the parent companies of US groups with subsidiaries in the UK. These powers have never been used. The government has always taken the view counter-measures are a last resort, the spokesman said. But if the Barclays case falls there would be considerable parliamentary pressure to invoke the retaliatory legislation.

Barclays is reluctant to talk about the litigation while the issue is so "politically sensitive". However, it admits that if the Supreme Court refuses to grant *certiorari*, or reviews the case and upholds California, it may be the end of the road so far as it is concerned.

The costs of the eight-year legal battle have not been enormous compared with the \$30m in taxes it hopes to recover if it wins. But the bank would be reluctant to begin all over again at state level looking for new grounds on which to challenge the unitary tax.

Other multinationals might be prepared to take up the fight, but some US lawyers believe that if Barclays loses, it might be the signal for a political solution to the whole unitary tax problem. "It is within Congress's power to pass legislation which may overturn the court's decision, if they are so inclined," says Mr Engross.

After more than a decade of wrangling many companies and governments will be hoping - one way or another - to see the back of the issue in 1993.

## LEGAL BRIEFS



### Appointment to silk cuts no ice with barristers

THE BAR in England and Wales is calling for radical changes in the way Queen's Counsel are appointed. An article in the Bar's magazine, *Counsel*, says that barristers must be prepared to take a firm stand in court on behalf of their clients even in the face of judicial disapproval. Yet it is of judicial disapproval that is the lord chancellor on appointments to silk. Some applicants have been refused because of the animosity of a particular judge, it says.

A similar article entitled *A very English form of Corruption* by an unnamed barrister in *New Law Journal* cites several examples of barristers whose appointments have been delayed or blocked by a single judge. In one well-known case a candidate had his appointment blocked by a judge because he shared the judge's mistress. The Bar calls for the setting up of a panel of senior members of the practising profession who would advise the prime minister, not the lord chancellor, on suitable applicants.

### New Delhi's setback

LITIGATION between the English firm of solicitors Zaiwalla & Co and the Indian government over unpaid legal fees is close to settlement after a two-week hearing in the High Court estimated to have cost some £400,000. On Friday New Delhi formally abandoned its counterclaim for \$555,000 alleging negligence against Zaiwalla & Co after the judge Mr Justice Gagehouse said the counterclaim was "hopeless" and should never have been brought in the first place. The firm is seeking payment of fees accumulated over five years for representing the Indian government in London.

### INVITATION TO TENDER FOR THE HIGHEST BID for the Purchase of the Assets of "BARCO S.A., TEXTILE INDUSTRIES", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of "BARCO S.A., TEXTILE INDUSTRIES", a company having its registered office in Metamorphossi, Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/1991).

#### announces a call for tenders

for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the assets of the Company, as a single whole.

**BRIEF INFORMATION:** The Company was founded in 1956 and was in operation until 1981, when it was declared bankrupt. In 1988 it was brought back into operation, while in 1990 it was declared bankrupt for a second time. The Company's activities included the production, marketing and exporting of textiles. Assets include a factory, consisting of three buildings, with a total area of 34,115 m<sup>2</sup>, standing on a plot of land of 19,062 m<sup>2</sup>, machinery and mechanical equipment.

**OFFERING MEMORANDUM-FURTHER INFORMATION:** Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

#### TERMS AND CONDITIONS OF THE AUCTION

- The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon the submission and that the offeror shall give a personal guarantee in favour of such third party.
- Binding Offers:** For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 3rd May 1993, 11.00 hours, to the Athens Notary Public Mr Evangelos Karyotyllis, address: 7 Krasinou St., Athens, Tel: +30-1-321.6741 or 324.3393. Offers should also expressly state the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of no determination of a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate from time to time in force (presently 37% yearly). Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
- Letters of Guarantee:** Binding offers must be accompanied by letters of guarantee, for an amount of drs two hundred million (200,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
- Submissions:** Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
- Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 3rd May 1993 at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
- As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account which shall be calculated on the basis of a discount interest at an annual rate of 28% compounded quarterly or yearly.
- The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
- All costs and expenses of any nature in respect to the participation and the transfer of the asset offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
- The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor shall the participants acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
- This invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail. For obtaining the Offering Memorandum and for any further information please apply to the Liquidator: ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities - address: 1 Skouleniou Street, 105 61 Athens, Greece tel: + 30-1-323.1484, Fax: +30-1-321.7905 (attn. Mrs Marika Frangaki).

## PEOPLE

### Loudon broadens M&G's board

George Loudon, the former chief executive of Midland Montagu, has been appointed a non-executive director of M&G Group, one of Britain's biggest fund managers.

Loudon, 50, comes from a well known Dutch family which has produced the chairman of Royal Dutch Shell and also as well as several bankers. In spite of his Dutch name, Oxford-educated Loudon has an English wife and feels more at home on the international business circuit than most of his peers.

He has worked with Lazards Freres in Paris, the Ford Foundation in New York and Jakarta, McKinsey & Co and Amstelveen in Amsterdam, before being headhunted as part of Midland Bank's new management team. He has contacts which should come in handy for a firm of fund managers with international ambitions. Loudon, who



lost his job as an executive director of Midland Bank following its takeover by HSBC Holdings last year, was appointed a non-executive director of Arjo Wiggins Appleton in January.

It is just over a year since M&G appointed Hugh Collum, SmithKline Beecham's finance director, as a non-executive director and Paddy Linaker,

M&G's chief executive, says that Loudon's appointment is part of an effort to broaden the board membership. Traditionally, M&G has drawn most of its non-executive directors from a relatively small circle.

Before Loudon's appointment three out of M&G's seven non-executives were connected with the Esmée Fairbairn Charitable Trust, which owns a third of the company, and Bobbie Brooks is a director of Kleinwort Benson, which used to own a 37 per cent stake.

Meanwhile, Michael McLintock, who has recently joined M&G from Barings' corporate finance department, has been appointed a director of M&G Investment Management. McLintock, whose father Alan has been a non-executive director of M&G since 1982, will be promoting the firm's investment skills for managing segregated pension funds.

### Insurance moves

■ Alan Gavaghan has been appointed deputy chairman, Bob Guthrie chief executive and Victor Haslett deputy chief executive of WILLIS CORROON Ltd. Victor Haslett also becomes chief executive of Willis Corroon South and Bob Martin chairman and chief executive of Willis Corroon London.

■ David Forey has been appointed chairman of Meacock Samuelson & Devitt, part of STEEL BURRILL JONES, on the retirement of John Horwell. Christopher Gibb, David Norman and

Christopher Randall have been appointed directors of SBJ Speciality Ltd, a subsidiary of STEEL BURRILL JONES.

■ Graham White, md of Jardine Reinsurance Consultants, has been appointed a director of JARDINE THOMPSON GRAHAM.

■ David Holder, md of BAIN CLARKSON's southern region, has been appointed to the main board.

■ Andrew Bathurst has been appointed a director of NICHOLSON CHAMBERLAIN COLLS BankAssure.

■ John Adams has been promoted to finance director of FAMILY ASSURANCE SOCIETY and Keith Meeres has been appointed compliance

officer; he moves from Prudential Assurance.

■ Michael Sinclair has been appointed finance director of WESLEYAN FINANCIAL SERVICES.

■ Lowry Maclean, md of WESLEYAN ASSURANCE SOCIETY, has also been appointed vice-chairman.

■ Andrew Clarkson and David Spiller have been appointed directors of GREIG FOSTER GROUP.

■ Simon Hayes and Stephen Karpus have been appointed directors of Carpenter BOWRING.

■ George Nixon has been appointed chairman and Richard Bucknall md of the non-marine group of WILLIS FABER & DUMAS.

### Brown treks back to United Inds

Loss-making United Industries has hired Tom Brown, previously group managing director of the much larger, Hull-based, engineering group Fenner, who thinks he has spotted the ideal time in the economic cycle to "be involved in something entrepreneurial".

Brown's predecessor at the company, which makes precision springs for aerospace, automotive, electrical and engineering applications, was 53-year-old David Simpkin, who has taken early retirement after a heart attack. A chartered accountant, he had been with parts of the group for 27

years and group managing director since 1988.

"In any case, we needed a different kind of manager to lead us out of the recession, one who was more product-oriented," says chairman Ken Coates. "Brown is a trained professional manager with an MBA [from IMEDE in Lausanne] and he is a qualified engineer."

Brown, who has been trekking in Morocco since resigning two months ago, likens Fenner to an oil tanker. "I have been keen to be master of my destiny," he says. Peter Barker, executive chairman,

has been there "approaching 40 years. It is very much his personal fiefdom".

At United by contrast he has a non-executive chairman who promises to "offer guidance and counsel but not to get in the way", as Coates himself puts it.

His last entrepreneurial sortie, Brown now thinks, was just at the wrong stage of the economic cycle. At the end of the 1980s his search, in association with Schroder Ventures, for a management buy-in opportunity which he would run and Schroders would finance, proved fruitless.



■ Roy Freeland (above left), formerly md of Meggitt's electronics division, has been appointed BOWTHORPE's group general manager responsible for four business sectors.

■ Ken Donlan (above right) has been appointed md of ETHYL Petroleum Additives.

■ Sir Gordon Jones, chairman of YORKSHIRE WATER, has relinquished the role of chairman of its subsidiary, Yorkshire Water Services Ltd and is succeeded in that role by Trevor Newton, md and deputy chairman.

■ Cliff Roberts has been appointed production director at Smith Flow Control, part of HALMA.

■ David Young has been promoted to vice-president for northern Europe of DURACELL.

■ Ian Chate, group legal adviser, has also been appointed company secretary at OCEAN GROUP on the retirement of Ken Wright.

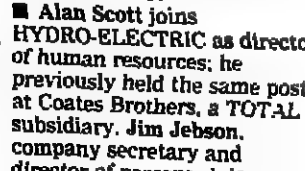
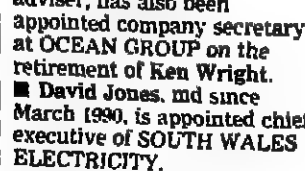
■ David Jones, md since March 1990, is appointed chief executive of SOUTH WALES ELECTRICITY.

■ Alan Scott joins HYDRO-ELECTRIC as director of human resources; he previously held the same post at Coates Brothers, a TOTAL subsidiary. Jim Jebson, company secretary and director of personnel, is retiring.

■ David Murray, director of property at the Royal County of Berkshire, has been appointed deputy chief executive of The CROWN ESTATE.

■ Stephen Day (below left), formerly financial controller with County NatWest Securities, has been appointed finance director of DHL INTERNATIONAL (UK).

■ Jim Brown (below right), founder and md of Microbiological Associates International, has been appointed head of business development and licensing at AMERSHAM INTERNATIONAL.





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# Avant-garde hero worship

## William Packer on a celebratory exhibition of Marcel Duchamp

**T**HIS FULL study of the life and works of Marcel Duchamp continues the series of important and enlightening exhibitions that have been occurring at the Grand Canal at Venice, since 1986, taking modern, old master and broader cultural subjects turn and turn about. But if the usefulness - indeed the importance - of this exercise is beyond doubt, it may be so after a different fashion to the one intended by the organisers.

It cannot be said too often that serious critical study may be justified quite as much by a sceptical as by a celebratory approach to its subject. Yet with the fine and plastic arts, most especially with modernism and the contemporary avant garde, the approach is invariably one of insistent justificatory celebration.

Marcel Duchamp, one of the great *guru* figures of 20th century art, was born in 1897 and died in 1968. By the 1950s, by then long isolated from the immediate engagement with Cubism, Futurism and Dada that had once given his work at least a context and contemporaneity of sorts, he had become a singular hero to the post-war generation of the avant garde. Since then, through his ideas and practical example, he has exerted a greater influence on the currency of modernism than any other artist.

To say, with Pontus Hultén and Jacques Caumont, respectively director and curator of the exhibition, that "There are no works of art today which are not related, in one way or another, with the

ideas developed by Duchamp", is patent nonsense.

What is true is that the enthusiasms of the international curatorial establishment of modernism, and the orthodoxies of the avant garde these 30 years past, owe everything to him. And, in England, art education itself was remodelled in the mid-1960s on half-baked Duchampian ideas, with such forcing-houses as Goldsmith's College refining the product today as never before. Should they ever think about it, the only thing that would perplex these latter-day acolytes, guardians of the sacred flame, from the Richard Hamilton and Long, to Damien Hirst and Marc Quinn, is Duchamp's own self-denying ordinance: that a single idea should receive but a single expression.

The art-educational application of Duchamp's ideas is of particular relevance, for as experimental exercises in perception, analysis and response, albeit anarchic and ultimately philistine, there is something to be said for much of what he demonstrated, up to a point. With the *Marcel Duchamp* of 1914, for example, by all means play the little game, once "If a horizontal thread one metre long falls straight from a height of one metre on to a horizontal plane twisting as it pleases and creates a new image of the unit of length." How long is a piece of string? How many ways are there to break an egg?

In just such a way, what had never been considered before enjoys a momentary frisson of discovery and at once sinks back into the obvious and the banal. In just such ways may the youthful sensibility be

honed and sensitised. Would that it had been left at that: but Duchamp preserved his threads as they fell, from their profiles in wooden templates, called them "3 standard stoppages = canned chance", and put the whole lot together in a special box. He devised colour wheels and cones, some with texts after the fashion of prayer-wheels, and as they whizz round, what pretty patterns and rhythms they make.

Touch up the art-work: make perfunctory etchings after the works of others, Courbet, Rodin, Ingres, Cranach: put a moustache on the *Mona Lisa*, keep copious notes, keep every scrap and jotting and put them in a case that becomes at once a portable museum: just pick up anything you like and call it art - oh, what fun, and how easy to do.

The ready-mades are Duchamp's most notorious and most characteristic works, that combine immediacy, practical opportunism, wit and mischief. A bottle-rack, a crown of coat-hooks, a urinal, all become sculpture and art at Duchamp's decree that they are so, and up to a point, why not? To see things and to know them for what they are is one of the great gifts the artist offers the layman, and unself-conscious formal qualities and imaginative possibilities are qualities and possibilities nonetheless.

But into the museum they all go, with the deadening, pseudo-critical validation of the perpetrator's own ramblings: "Specifications for Ready-mades, by planning for a moment to come... to inscribe



But is it art? Duchamp's moustachioed *Mona Lisa*

# New York Music Behind the Veil

America has yet to fall under the spell of "The Protecting Veil". The recording has only just been released in the US, and Steven Isserlis' performance at Carnegie Hall last week was the first in New York, coming nearly four years after the Prom premiere that launched the current British wave of interest in John Tavener's music. The mood in the hall was expectant, but also sceptical, which may be why the performance missed incandescence. However, there could have been other reasons.

For one thing, to hear Tavener abroad, and played by non-British musicians (the strings of the New England Conservatory Symphony, under Michael Tilson Thomas, were accompanying Mr Isserlis' long cello song), is to be reminded how English his music is - how much its wide-ranging harmonies, say, belong in the tradition of Vaughan Williams, not Copland. The playing was remarkably assured, but too much fizz and thrust and energy was going into the music, and the imitation bell sounds, which reappear to celebrate arrivals at different points in the life of the Mother of God, had an unwanted bodily enthusiasm to them.

It could also be that the piece simply works better on record. Everything visual at a concert performance is alien to it: the movements of the soloist (the unbroken line of cello sound asks to be heard as disembodied, as if the instrument were uttering by itself - or, better, as if there were no instrument at all but only the sound), the uniform obediences of the orchestra, the tiered audience.

The inevitable noise of public performance, too, is out of place: even applause seems misplaced, except as an acknowledgement of the heroic feat of stamina, intensity and musicianship achieved by the soloist. Mr Isserlis in his recording sets himself a high challenge; here his maintenance of full, pure tone, up to the highest register and down to the faintest pianissimo, was extraordinary. It was showpiece playing from one about to receive the triennial Platigorsky Award.

But possibly the not-quite-satisfactory effect of the performance as a whole was entirely a subjective phenomenon: the result of over-exposure, or of worrying about what continuing admirers of the work may regard as incidental details, such as the travesties of the Levantine microtonalulations and wild dances, or the wearying repetitions of the same music to open each new chapter, or the limited melodic invention. All is well if nothing happens to make one start asking questions. As soon as one does, the first has to be that of how to interpret Tavener's simplicity as ascetic and not merely cosy.

Paul Griffiths

# Theatre Yankees on the fringe

London's fringe theatre has gone very American. After David Mamet's early play *Squirrels* at the King's Head, a new company, Small Talk Theatre, is reviving another Mamet, *Sexual Perversity in Chicago* at the Piccadilly in Camden Town. Meanwhile, the Gate in Notting Hill has come up with a relatively unknown playwright in Wendy MacLeod, whose *The House of Yes* has the disadvantage of having back yet again to the day that President John F. Kennedy died, but adds a macabre Jacobean touch of incest.

All three productions are superbly done. What they also have in common is short, terse dialogue and rapidly changing scenes. Possibly the influence - the desire to play it fast - comes from Hollywood. Some of the Mamet scenes last less than a minute. In *The House of Yes* one key scene is acted several times over, though each time with a twist.

None of the plays is quite up to Arthur Miller's *The Last Yankee*, still playing at the Young Vic, but there is a vitality in the writing and staging of all them that the indigenous theatre has temporarily lost. The small platform is the right place for them, but it is the same kind of taut dialogue that makes *City of Angels* such a good musical. Americans are still talking to each other on stage.

Malcolm Rutherford



The House of Yes: Dena Davis and Matt Bardock

# Paris Opera / Ronald Crichton Mireille: a worthy survivor from a Provençal idyll

A cheering, reassuring sight - queues stretching across the Place Boieldieu in front of the Opéra-Comique in Paris for a Sunday matinee. The attraction? Not a baroque revival by one of the authentic-instrument groups approved by the musical "elitists" but Gounod's *Mireille* - a survivor from the old popular repertory now gingerly being taken down from the shelf and found good.

The process is not confined to Paris: this *Mireille* started in Avignon and will also be shown in Lausanne, Nantes and Tours. The queuers were rewarded by an uncommonly enjoyable performance of some ravishing music reflecting Gounod's sudden, overwhelming love affair with the sights and sounds of Provence. The first act and much of the second form a perfect pastoral idyll. The transition from idyll to rural tragedy is not altogether happily made but there remains plenty to enjoy: nothing turns ponderous, nothing goes on too long.

Robert Fortune's production, clearly designed with touring in view, in sets by Dominique Pichou and costumes by Rosalie Varda is traditional, honest, colourful, suggesting the sun and shadow of Arles and the country round about with a minimum of detail (the costumes, I fancy, are accurate). The Provençal songs and dances are presented simply without quaintness or condescension. Choral and choreographic movement (the latter by Laurent

Noris) are smoothly interwoven. The third act scenes in the Val d'Enfer and on the banks of the Rhone avoid the wishy-washiness lurking in Gounod's deliberately subdued treatment of the supernatural. Only the last act lost its way, with a corner of the *Crau desert* surely too invitingly sunny to give Mireille her fatal stroke (not even a glimpse of the mirage she sees) and a final scene in the chapel of the Saintes Maries suddenly switching style to black drapes and banks of electric candles.

There was a partly double cast. I heard Michèle Command as Mireille and Luca Lombardo as the basket-weaver Vincent, whom she loves in spite of furious opposition from her father, a rich farmer. The soprano pleaded throat trouble but showed little sign of it. Both are most likeable performers, she warm, easy, supple, phrasing sensitively, the tenor elegant, ardent and youthful. Both, the tenor especially, have excellent diction (Michel Carré's adaptation of Mistral's Provençal epic is no fun to read but it sings well).

Ourrias the drover, who wounds Vincent out of jealousy, was sung with biting intensity by the Belgian baritone Marcel Vanaud. The character does not normally stand out so clearly from the other deep voices. The short, but telling role of the kindly witch Taven was taken at this performance by the veteran Rita Gori. This rightly popular favourite has plenty of power left: at moments I thought she might shake the ruins of Arles to their foundations. The small parts were well cared for, the mysterious ferryman (Christian Poullion) making the utmost of his moment of glory, Cyril Diederich, conducting the Opéra-Comique chorus, the *Hauts de Seine* children's choir and the *Colonne Orchestra*. All the theatre with joyous, mellow sound. Gounod scores like Schubert, much of whose melodic gift, in this opera especially, he inherited.

If a new government in France means a shake-up in the operatic world it would be another opportunity (there have been others but they have slipped by) to give a more positive role to the Opéra-Comique. This famous institution is under-used. The building - old-fashioned, inconvenient and ill-equipped - could do with some of the funds shovelled into bigger things more likely to produce "glorie".

From the spectator's point of view, is there a better house for hearing medium-sized opera? Many years back, Rolf Liebermann, then director of both the Opéra and the smaller house spoke in an interview of the Opéra-Comique's great prestige and illustrious past, stressing that of all lyric theatres in France it had staged the greatest number of first performances. That past adds up to a rich repertory much of which may not appeal to social or cultural snobs, but is an essential part of French musical culture. Seeing the queues for *Mireille*, one cannot hardly doubt public support, given a chance.

Sponsored by Alliance Opéra.

# INTERNATIONAL ARTS GUIDE

## AMSTERDAM

Concertgebouw Tonight and Fri: Bach's *Matthew Passion*. Thurs: Emmy Verhey is violin soloist with Royal Military Orchestra (24-hour information 675 4411, ticket reservations 671 8345). Muziektheater Tonight, Thurs, Fri: Dutch National Ballet's Tchaikovsky programme, choreographies by Belachine and Edouard Lock. Next Mon, Wed, Thurs: Stephen Petronio Company. Next Tues: first night of Catalani's *La Wally* (6255 455).

## ANTWERP

THEATRE/DANCE Tomorrow at Monty: Peter Helez and his New York-based Love Theater present *Piero della Francesca*. Cabaret: Sat evening, Sun afternoon: Philippe Decouffé. Dance Company (234 1188). CONCERTS/OPERA Thurs and Fri at Carthus Borromeuskerk: Sigiswald Kuijken conducts *La Petite Bande* and Collegium Vocale in Bach's *St John*

Passion, with soloists including Nancy Argenta (234 1188). Sat at deSingel: Antonio Pappano conducts Orchestra and Chorus of the Monnaie in works by Verdi and Stravinsky (248 3800). April 9, 12, 15, 18 at De Vismare Opera: Silvio Varviso conducts Angela Brandt's production of *Parsifal* (233 6635).

## BRUSSELS

Palais des Beaux Arts Tonight: Kurt Masur conducts New York Philharmonic Orchestra in works by Barber, Bright Sheng and Brahms (507 8200). Fri: Antonio Pappano conducts Orchestra and Chorus of the Monnaie in Verdi and Stravinsky (219 8341). Monnaie Tonight, Thurs, Fri, Sun afternoon: René Jacobs conducts Herbert Wernicke's new production of Cavalli's *La Calisto* (219 6341).

## CHICAGO

Orchestra Hall Tonight: Christoph Eschenbach is soloist in a Chicago Symphony Orchestra programme of three Mozart Piano Concertos. Thurs, Fri, Sat: Leonard Slatkin conducts works by Vaughan Williams, Tower and Prokofiev (435 6666).

## GENEVA

Grand Théâtre Tomorrow, Wed, Sat: David Pionelli conducts Pierre Strosser's production of a triple bill linking Schoenberg's *Erwartung* and Pierrot Lunaire with Berg's *Der Wein*. Repeated next Tues, Thurs, Sat (311 2311). Victoria Hall Thurs: Ingo

Metzmacher conducts Orchestre de la Suisse Romande in works by Varèse, Nono, Mozart and Weber, with piano soloist Gerhard Oppitz (511 2571).

## THE HAGUE

Dr Anton Philipszaal Thurs: Oliver Krussen directs Asko Ensemble in works by Berio, Krussen and Del Tredici, with soprano Lucy Shalton. Sat: Alicia Mounick conducts Hague Philharmonic Orchestra in works by Donizetti, Ligeti, Kagel and others (360 9610). Dancetheater Thurs: Gabriele Bellini conducts Opera Forum production of *Madama Butterfly* (360 4930).

## ROTTERDAM

De Doelen Tonight, tomorrow, Thurs: Matthias Bamert conducts Rotterdam Philharmonic Orchestra in Brahms' *First Serenade* and Violin Concerto (Nikolai Medvedev). Fri: Bach's *Matthew Passion*. Sat: Pat Metheny (413 2490). Schouwburg Tonight: Nederlands Dans Theater in choreographies by Paolo Ribeiro, Nacho Duato and Hans van Manen (411 8110).

## UTRECHT

Vredenburg Tonight: Bach's *Matthew Passion*. Tomorrow: Oliver Krussen conducts Asko Ensemble in works by Del Tredici, Berio and Krussen. Fri: Pat Metheny. Sat: Ross Daley, music from Creta (314544).

## VIENNA

Staatsoper Tonight: Ashton's ballet

*La fille mal gardée*. Tomorrow: Ariadne auf Naxos with Mechthild Gensendorff and Barbara Kluft. Thurs and Sat: Hans Stein conducts Parsifal, with Paul Erning, Franz Grundheber, Hans Tschammer and Ute Friew. Thurs: Fiedlo with Luana Devol and Thomas Moser. Mon: Die Zauberflöte (51444 2955). Volksoper Tonight: Die Zauberflöte. Tomorrow: My Fair Lady. Thurs: Nabucco. Sat: Die Fledermaus. Sun: Wiener Blut (51444 2955).

## MUSICALS

● *Five Guys Named Moe*: a celebration in song and dance of the 1940s jazz great Louis Jordan. Till May 16 (Fords Theater 202-347 4833). ● Jacques Brel is Alive and Well: cabaret review celebrating 25th anniversary of Brel's music of comedy and pathos. Sun, Mon and Tues till April 27 (Tavern Stage 202-547 0188). ● Tonight's National Symphony concert in the Kennedy Center is a Bach programme tonight directed by Iona Brown. Fri, Sat, next Tues: Gerhard Zimmermann conducts opening concerts of a two-week Beethoven series, with piano soloist André Watts. Sun: Choral Arts Society of Washington in Bach's *B minor Mass* (202-457 4600). ● Daily till Sun in Opera House: Dance Theater of Harlem. Next Tues: Guys and Dolls begins six-week run (202-457 4600). ● Tomorrow, Thurs, Fri, Sat, Sun in Eisenhower Theater: Romulus Hunt, new opera for families by Carly Simon and Jacob Brackman, combining the rhythms and

## WASHINGTON

● Mother Courage: Brecht's play directed by Michael Kahn, with Pat Carroll in title role. Opens tonight, till May 16 (Shakespeare Theater at the Lansburgh 202-393 2700). ● California Cowboy and Crushed Tomatoes: one-act plays by Ernest Joselovitz and Donna DiNovelli, taking an unusual look at family life. Opens tomorrow, till May 2 (Source Theater 202-462 1073). ● Cockburn Rituals: John Strand's satirical play about a hospital patient with a mysterious infectious disease. Opens on Thurs, till May 9 (Woolly

Marmoth 202-393 3839). ● *Tone Clusters* and *The Moonshot Tape*: two one-act plays, by Joyce Carol Oates and Lanford Wilson, about parents, children and the brutal crimes they commit against one another. Till April 18 (American Showcase Theater 703-548 9044).

## MUSIC/DANCE

● *Lady Day* at Emerson's Bar and Grill: a musical celebration of the life of jazz singer Billie Holiday, recreating the 1950s nightclub of the singer's final performance. Till May 16 (Head Theater 410-332 0033). ● Five Guys Named Moe: a celebration in song and dance of the 1940s jazz great Louis Jordan. Till May 16 (Fords Theater 202-347 4833). ● Jacques Brel is Alive and Well: cabaret review celebrating 25th anniversary of Brel's music of comedy and pathos. Sun, Mon and Tues till April 27 (Tavern Stage 202-547 0188). ● Tonight's National Symphony concert in the Kennedy Center is a Bach programme tonight directed by Iona Brown. Fri, Sat, next Tues: Gerhard Zimmermann conducts opening concerts of a two-week Beethoven series, with piano soloist André Watts. Sun: Choral Arts Society of Washington in Bach's *B minor Mass* (202-457 4600). ● Daily till Sun in Opera House: Dance Theater of Harlem. Next Tues: Guys and Dolls begins six-week run (202-457 4600). ● Tomorrow, Thurs, Fri, Sat, Sun in Eisenhower Theater: Romulus Hunt, new opera for families by Carly Simon and Jacob Brackman, combining the rhythms and

harmonies of pop with the drama of opera to tell the story of a 12-year old learning to cope with his parents' divorce (202-467 4500). Saturday's performance is a benefit for Children of Separation and Divorce Center (410-740 9553).

## JAZZ/CABARET

Blues Alley Jazz Supperclub Tonight: round-up of best jazz groups in DC. Tomorrow: Paul Hawkins and La Jazz. Thurs: vocalist Nnenna Freelon. Fri, Sat: Klausua, contemporary jazz. Sun: Sid Johnson, saxophone. Mon: Tony Williams Quintet. Next week: pianist Ramsey Lewis (1073 Wisconsin Ave, in the alley, 202-337 4141). Barns of Wolf Trap Tomorrow: singer/songwriter Michael Tomlinson. Fri: Good Friday Gospel. Sat: Accordion Kings, including Tex-Mex and Creole zydeco (1624 Trap Road, Vienna, Virginia, 703-255 1919).

## ZURICH

Opernhaus Tonight and next Wed: Ruth Berghaus' production of *Elektra*. Thurs, Sat, next Mon and Thurs: Die Walküre with Janis Martin, Lucia Popp, Robert Schunk and Alfred Muff. Next Tues: Thomas Hampson song recital (262 0909). Tonhalle Thurs and Fri: Rito Tschupp conducts Tonhalle Orchestra and Zurich Mixed Chorus in Beethoven's *Missa Solemnis*, with Luba Orgonova (261 1600).

# European Cable and Satellite Business TV

(All times are Central European Standard Time)  
MONDAY TO THURSDAY Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 2130. Thursday Sky News: Financial Times Reports 2030; 0130. Friday Super Channel: European Business Today 0730; 2230. Sky News: Financial Times Reports 0530. Saturday Super Channel: Financial Times Reports 0930. Sky News: West of Moscow 1130; 2230. Sunday Super Channel: West of Moscow 1830. Super Channel: Financial Times Reports 1900. Sky News: West of Moscow 0230; 0530. Sky News: Financial Times Reports 1330; 2030.  
Arts Guide  
Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.



In many ways, British banks use technology in a primitive fashion. Yet a trail of visitors to a nondescript industrial estate on the outskirts of Leeds indicates one exception. This is the sole office of a bank whose customers carry out their transactions by telephone. It is an experiment which is being watched closely by rivals.

Firstdirect is the part of Midland Bank that most excited Mr John Bond, chief executive of HSBC Holdings following its acquisition of the UK bank last summer. Three years after it was founded, other retail banks have stopped dismissing Firstdirect as too clever by half. Instead, they are defending themselves against it as it adds 12,000 to its 350,000 customers each month.

This year is likely to mark a turning point for telephone banking in a market which has relied on dense branch networks. National Westminster Bank has launched a pilot telephone bank called PrimeLine. TSB is trying out a telephone service along with branches in Newcastle-upon-Tyne; Royal Bank of Scotland is mulling a national service for its 800 branches.

Those involved enthuse about the potential for telephone banking in a country that had been thought too conservative to accept it. "It is very simple to introduce, and it is not a huge capital investment," says Mr Mike Summers of TSB. "We think it will grow dramatically through the 1990s," says Mr Larry Cattle, NatWest's head of customer relationships.

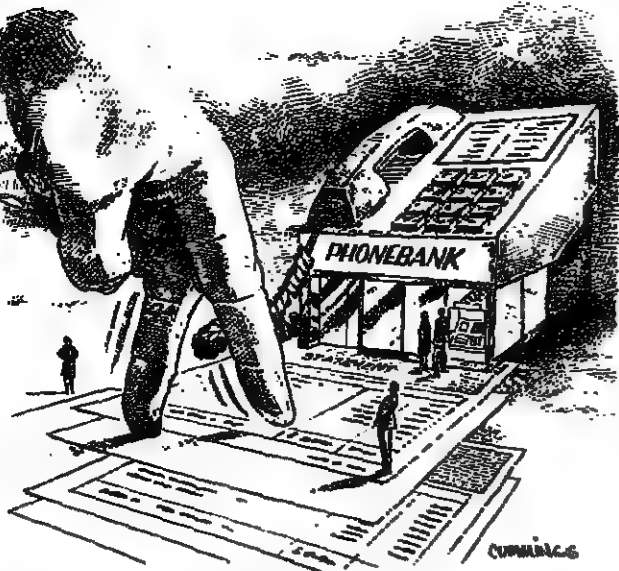
The change of mood is prompted by a decline in the use of Britain's 12,000 bank branches. On average, bank customers visited a branch only 2.2 times a month last year compared with 2.6 times in 1991, according to a NOP survey. About 3m bank customers now seek account information and carry out bank transactions by telephone or by computer.

Mr Kevin Newman, chief executive of Firstdirect, estimates that between 10 and 30 per cent of UK bank customers could switch to telephone banks. Firstdirect takes 12,000 calls in 24 hours; an average of 1.2 from each customer per month. Customers use Midland teller machines to obtain cash, but otherwise make transactions by telephone and post.

The cost savings are substantial. Firstdirect's cost to income ratio remains above banks with branch networks because it has relatively few

## Banks dial M for money

John Gapper on the growth of telephone banking in the UK



customers. Mr Newman estimates, however, that as its customer base grows, it may get down to between 40 and 45 per cent, compared with Midland's current ratio of 68 per cent. "I don't see how branch banks will be able to compete with us," he says.

An even bigger potential strength of telephone banks is in generation of income. By careful marketing and sifting of applications, Firstdirect has acquired a customer base of rich potential. It has proved attractive to professional employees with limited time to visit branches, and enough disposable income to buy other products such as insurance.

"They are not just yuppies. The appeal is far broader than even we expected," says Mr Newman. Some three quarters of his customers are aged between 35 and 45; most are "considerably up-market"; and 40 per cent are women. Affluent customers, he says, are less likely to stick with their old bank through inertia.

Firstdirect is thus squeezing other banks in two ways. It is taking away some of their best customers - three quarters of its customers are being acquired from outside Midland. And its low cost base means it may be able to hold out indefinitely against introducing

charges on accounts in credit. Small wonder that others are rushing to defend themselves. The most direct imitation of Firstdirect so far is NatWest's PrimeLine. As yet, this is tiny, aiming to recruit only 9,000 customers this year. But, like Firstdirect, it is aiming its service at upmarket customers: it has even gone a stage further by offering each customer a personal manager.

One advantage is that NatWest may be able to use PrimeLine to retain customers when it shuts a branch. It is expected to cut 100 branches a year during the next three years in an attempt to cut costs. "A bank with a telephone subsidiary may manage to switch over some good customers it would otherwise lose," says Mr Graham Gould, of the financial services consultant Ciba-MID.

Yet most British banks are opting for a different model. Rather than having separate telephone banking subsidiaries, they are setting up support services for existing branches. That is the type of telephone banking already established in US banks such as Wells Fargo in California and which has been studied by Royal Bank of Scotland.

Smaller retail banks such as Co-operative Bank and Girobank have already set up tele-

phone services to support small branch networks. Banks with large branch networks now face a tricky calculation. Most of them are cutting branches to trim costs, and must work out whether a telephone service will help that process, or merely add another layer of expense.

The extent to which banks can reduce costs by combining telephone services with branch networks is, however, still unclear. Both Girobank and the Co-operative Bank have high cost income ratios compared with others: the Co-op's ratio is 75 per cent. "Some people think of telephone banking as a low cost delivery channel, but often you just add another layer of costs," says Mr Gould.

For this reason, TSB has proceeded cautiously by setting up an experiment in Newcastle-upon-Tyne this month. It is using what it calls an "umbrella" 24-hour banking service to support a slimmed-down branch network. Out of 30 branches, it has closed eight, and "semi-automated" seven others by replacing staff with teller machines providing basic services.

TSB thinks this may ease the cost constraints facing telephone banking by cutting branch costs at the same time. "I think people need some bricks and mortar in their bank, but I don't think they need a lot, and certainly not as much as they used to," says Mr Summers, TSB's marketing director.

A second imponderable facing potential entrants to telephone banking is income generation. Mr Newman argues that customers are more receptive to being sold products by telephone banks because they have set time aside to ring, and are not standing in a branch queue. Firstdirect calculates that its accounts are on average worth 15 per cent more than in branch banks with similar customer profiles.

Yet it may be hard for others to repeat this. Firstdirect's customers - many of them young professionals - are of a generation happy to conduct business by telephone. It could be trickier for branch banks to persuade their older customers to switch from face-to-face contact to telephones.

Such obstacles are unlikely to stem the flow of visitors to Firstdirect. Mr Bond has sent word to HSBC subsidiaries to come and see it. "I find Firstdirect exciting. It is classic case of finding a new way of reaching customers," he says. But it is still unclear how many want to be reached this way.

## Joe Rogaly Major's secret agenda



Some of us fancy that when - if - the British government regains its balance its true nature will be revealed. We will at last perceive that the administration that was formed after the downfall of the then Mrs Margaret Thatcher in 1990 is centrist, with a tendency to dabble in the red arts of the social and interventionist left. As President George Bush moved away from the Reagan right, so Mr John Major is likely to detach himself from Thatcherism. That is the conventional wisdom among Tories of the cast of mind that was once called "wet".

It is almost certainly wrong. The prime minister's secret agenda, which is an open book, is to survive. Events will determine his policies. Each decision will be carefully weighed. Does it help the government regain its authority? Will the backbenches have it? Only proposals that produce a "yes" to both questions will pass.

Mr Major is not made of the material with which the heavens construct self-confident leaders, those who stand at the front of the column, feet astride, arm out pointing the way ahead. There is no evidence that he is an original political thinker possessed of a strong sense of direction. If he developed into a giant of that kind it would be the biggest surprise since the Americans unwrapped Mr Harry Truman and found a great president inside.

To observe as much is not to disregard the prime minister's considerable strengths. His character is by now familiar. He is decent, and nobody's fool. He is more impressive in private conversation than in public. He is dogged, sometimes recklessly stubborn; if he is not

a source of popular inspiration then at least he is a man who draws inspiration from his party.

In common with several of his senior ministers - the chancellor springs to mind - he is more responsive to the advice given by civil servants than were either Lady Thatcher or some of her prominent colleagues. Like President Bill Clinton, the prime minister is a policy "wonk"; unlike the new occupant of the White House, he is a wader through options rather than a salesman of change.

This weekend Mr Major will celebrate the first anniversary of the 1992 general election, a contest in which he achieved a victory that he understandably describes as "sweet". Yet it went sour very quickly. Over the past year the Tories have been sorely divided, so much so that we have enjoyed the delights of coalition government within a system designed to provide stable, strong, unitary, single-party administrations. The task that this extraordinary chap in an extraordinary job has set himself for his second year as elected prime minister is clear. He will be the healer of wounds, the party leader who reunites the Conservatives.

If you follow the argument so far, you may agree that what fate has in store for our anti-hero is to plunk his administration firmly down on Thatcher territory. The first act of healing will be to pump the hands and squeeze the shoulders of all but the most recalcitrant of the Maastricht rebels.

Yes, I know that the squabble isn't over yet (I'll come to the Danish referendum in a moment), but we must assume that it will be and that the prime minister will have his treaty. If he does not - if the Maastricht bill is defeated in parliament - there will be no Mr Major to discuss, except as a pensioned-off previous occupant of No 10 Downing Street.

Let us take it, therefore, that the prime minister gets to the other side of the Maastricht debate, either with his bill or if the Danes vote "no" a second time, without it but with his job intact. In either circumstance his European policy will be to pre-empt the next inter-governmental conference of the member states of the European Community (in the case of a Danish upset) or the European Union (post-Maastricht).

In short Mr Major will seek to set the agenda for Europe. Position papers are already being prepared. As the supposedly Europhile Mr Douglas Hurd, the foreign secretary, has indicated, this is likely to reinforce the concept of the Community or European Union as a conglomerate of independent nation-states, although the Germans can be expected to renew their efforts to create a true federation.

Britain, which will be outside the exchange rate mechanism and nowhere near approaching an opt-in to monetary union, will be governed by a Conservative party whose leaders are united in their new-found Euro-scepticism, or, if you prefer greater precision, anti-federalism. The prime minister will be at the heart of Europe, but he may yet break Europe's heart.

Domestic policy is likewise Thatcher-led. There is apparently no limit to privatisation.

The previous prime minister shrank from denationalising coal, the railways, the post office. Mr Major proposes to make plc's of them all, while contracting out to the private sector previously inalienable public-sector activities such as prison administration, tax collection and just about everything else that moves. Formerly sacrosanct vested interests - the police, prison officers, the united corps of teachers - are being challenged with the intent of facing them down.

Against all that the convening of a few meetings of businessmen and women in the office of Mr Michael Heseltine, president of the board of trade, is a mere public relations exercise. Interventionism is only real when it is accompanied by a cheque. Mr Heseltine has no account on which to draw. In short, Mr Major is not halting the Thatcher juggernaut. He is holding onto it for dear life, coat-tails flying as it gathers speed.

Much of the force comes from the Treasury. The prime minister's single most defining characteristic is that he is a Treasury apparatchik. Last year's public spending plans were completed at a time when the administration was deeply demoralised. There was no political capital to spend on deep cuts.

This year the attempt is being made once more, with the long-term spending review. Easier said than done. As the mid-mannered secretary for social security, Mr Peter Lilley, demonstrated on BBC Breakfast with Frost on Sunday, his gargantuan social budget is extremely hard to trim. Mr Lilley, like Mr Michael Portillo, the chief secretary to the Treasury, is proudly of the Tory right. The pair of them will either find ways of squeezing the welfare state, or it will be Thatcher's heirs, not Mr Major, who failed.

**The task that this ordinary chap in an extraordinary job has set himself is clear. He will unite the Conservatives**

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Channel rail link will put commuters last in line

From M H Fletcher.

Sir, In his article "Final search for the missing link: the case for the Channel tunnel rail link is persuasive, but who will fund it?" (March 21) Richard Tomkins paints the "embarrassing" picture of "high-speed international expresses from Paris and Brussels" which will find themselves having to queue "behind British Rail commuter trains" for access to London.

Can he be really serious? Any regular user of British Rail knows that it will be the commuter that has to queue. I feel a dose of reality therapy is required for Mr Tomkins.

Perhaps you could get him to use his journalistic talents to establish what the likely fare at today's prices for the journey on the high-speed link from the tunnel to London might be.

M H Fletcher,  
4 Hasteds,  
Hillingbourne,  
Kent ME17 1UQ

### Fixed exchange rates must also be adjustable

From Mr Walter Grey.

Sir, Mr Laurens van den Muyzenberg (Letters, March 30) did well to remind the sceptics among us that "almost nothing will do more to facilitate trade than fixed exchange rates". After all, no sensible person (foreign exchange dealers excepted) can want floating rates for their own sake.

If fixed exchange rates are, however, best because of the stability and discipline they help to provide, they must also be adjustable if need be, as the ERM rules (and those of the Bretton Woods system earlier) lay down. Who doubts that Black Wednesday's trauma could have been avoided by a general ERM realignment in good time?

Of course, given the same quality of economic management (and particularly the same commitment to price stability and hence sustainable, non-cyclical growth) everywhere, the results with fixed but adjustable exchange rates and those with floating ones would be the same. The question is, which system would best promote such convergence?

Walter Grey,  
12 Arden Road,  
Finchley N3 3AN

### A fair day's work for a fair day's pay is a textbook concept 30 years old

From Ms Gillian Stamp.

Sir, An article by Adrian Furnham ("Moving tale of a fair day's work", March 24) has been brought to my attention.

As a follow-up to his interesting article about equity in the work world, you and he may be interested to know that a theory of equity in employment studies was first published by Elliott Jaques more than 30 years ago. I quote from *Equitable Payment* (1961): "There exist shared social norms of what constitutes a fair or equitable payment for any given level of work, these norms being intuitively known by each individual. The totality of these norms constitutes a pattern of equitable differential payment for differentials in level of work carried."

Jaques' research led him to the same view as Professor Furnham that "people at work

need to feel fairly, equitably rewarded... and not everybody in a state of inequity feels it because they are underbenefited, some... feel it because they are overbenefited."

Jaques' approach to equity went beyond reward to what he called the "work-reward-capacity nexus". His research - and my own during the last 18 years - has shown that in addition to their intuitive sense of equity in reward, people have a similar sense of equity in the level of responsibility of their work and the level they feel capable of carrying.

Further research into and application of the work-reward-capacity nexus has continued at the Brunel Institute for Organisation and Social Studies for the 35 years.

It has led to the development of "career path appreciation" - a procedure for evaluating the

current and potential capacity to make those decisions at work that do not make themselves. The need arises when the facts cannot be known, because they are not available, or because there is no time to search for them. In a social and business environment of mounting uncertainty, this quality commonly described as "judgment" - is of the essence.

Career path appreciation transcends gender, race, education and is widely used throughout the world to realise equity in the work-reward-capacity nexus.

Gillian Stamp,  
director,  
Brunel Institute  
of Organisation  
and Social Studies,  
Brunel University,  
Uxbridge,  
Middlesex UB8 3PH

### India will stick to environmental and relief standards for dam without World Bank loan

From Mr K V Rajan.

Sir, The report from your correspondent in New Delhi ("India to drop World Bank dam loans", March 30) gives a distorted picture about the government of India's decision not to seek further financial support from the World Bank for the Narmada project.

There has been no reluctance by the government of India or the state governments concerned to meet benchmarks regarding environment and relief, and rehabilitation (R&R) standards. Henceforth, too,

with the implementation of the project through our own resources, we propose to fully adhere to the prescribed environmental and R&R standards.

Because of preoccupations of some of the states, arising out of certain developments between December 1992 and now, which are well known to everyone, progress in meeting a few benchmarks has been somewhat slower than planned; but they are in the process of being met.

The government of India is determined to complete the

project as it is of vital significance for the development of several million people in the states of Gujarat, Madhya Pradesh and Maharashtra. When completed, the project will provide perennial irrigation to nearly 3m hectares, generate 1450MW of power and provide drinking water in a chronically drought-prone area.

K V Rajan,  
Acting high commissioner,  
India House,  
Aldwych,  
London WC2

### Relational contracts are a matter of culture

From Mr Michael Hartley-Brewer.

Sir, As a consultant on negotiation to several banks and corporations, I agree with the thrust of Professor John Kay's article on "relational contracts" ("The unwritten code of lasting business", March 29). Two points require comment.

Firstly, Prof Kay says that "UK banks were ready to discard such [relational] contracts with their customers... in the pursuit of a more commercial, performance-oriented transactional style of business". The banks were not the only parties pushing in the transactional direction. Many companies, particularly the larger ones, have been out bargaining for financial services, playing the banks off against each other and using their buying-power to get the best deals.

It is not difficult to characterise this as cut-throat short-termism, but there is surely merit in questioning what may have become over-easy relationships.

Secondly, Prof Kay rightly points out that, while relational contracts can yield competitive advantage, "each party is exposed to the risk of opportunistic behaviour by the other". There is an implication that the risk is equal on both sides; but in many cases the relationship is far from equal.

Big firms are buying from minnows, who live in constant fear that the big fish will turn out to be sharks.

Part of the problem here is the frequent mismatch between company policies and behaviour on the ground. The official corporate philosophy may be to establish mutually beneficial, long-term "win-win" relationships with suppliers.

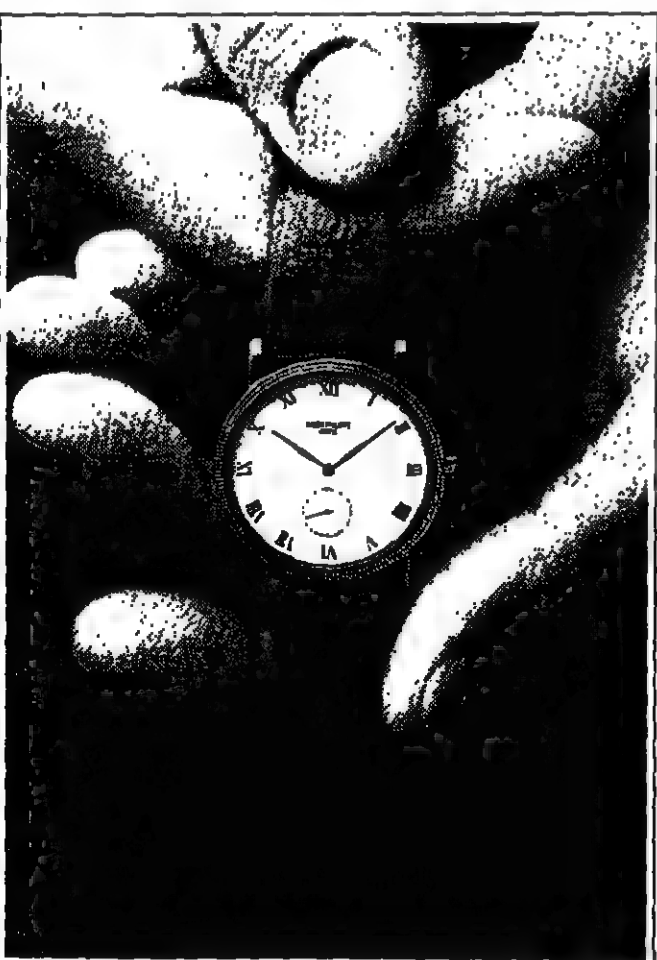
But individual buyers frequently regard this as so much flannel.

This is hardly surprising, when buyers are judged by the level of discount they achieve or by margin improvement. Nor should the big fish be surprised if the small fry seem sceptical about their real intentions.

The moral is that big companies need to work harder at achieving consistency in the messages they send within their organisations. Prof Kay is certainly right in pointing to the cultural aspects of relational contracting. I imagine he would agree that it is a matter of corporate, as well as national, culture.

Michael Hartley-Brewer,  
Arc House,  
117 Corringham Road,  
London NW11 7DL

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# FINANCIAL TIMES

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Tuesday April 6 1993

## Russia after the summit

THE WORLD cannot afford the strife of the former Yugoslavia replicated in a nation as big as Russia, spanning 11 time zones with an arsenal of nuclear weapons that is still very vast. Thus did President Clinton explain the importance of the subjects under discussion with President Yeltsin over the weekend. But they were no less important a year ago when western leaders might have made faster reform feasible. The west chose to be timid when it should have been bold. Now it may be too late.

A legally justified anarchy obtains in Russia. Unhappily, it is likely to endure. Mr Yeltsin is likely to win a majority of those voting in the plebiscite of April 25. That would give him the moral victory, but it would not give him the unquestioned authority he needs to implement reforms, for which he must obtain a majority of those registered to vote.

The west cannot directly influence the outcome, though its moral support must help. Should Mr Yeltsin win either a decisive victory or merely a moral one, western assistance will be essential.

First, the West cannot offer just one kind of assistance. There will have to be humanitarian relief, technical assistance and project finance. But there must also be help with economic stabilisation. Without a currency worth earning, a budget that can be closed without use of the printing press, and a social safety net, assistance

will largely be wasted.

Second, aid must be coordinated more effectively. The summit decision to establish a G7 coordinating office in Moscow is welcome and overdue.

Third, substantial assistance will be needed to make stabilisation even conceivable. With its proposed temporary financing facility to help Russia and other former Soviet republics "facing particularly disruptive systemic shocks", the IMF seems to have recognised at last that the orthodox approach is not workable in the former Soviet Union.

Fourth, Russia will need markets. But access to western markets is in the interest of the west as well, since Russia will export in order to import. The European Community should reach generous free trade agreements with all the countries of the former Soviet Union as quickly as possible.

Finally, President Clinton needs to remember his own words about the security threat posed by Russia. \$900m of the \$1.6bn he offered is merely disguised assistance to US farm exports. Help for Russia should be seen as an alternative to western military spending. It is only in this context that assistance on the required scale could be justified without sacrificing the interests of other, arguably worthier recipients.

President Clinton has shown he is aware of the seriousness of the challenge. That is a welcome start. The G7 must now show the determination to help take Russian reform forward.

## Testing times

EDUCATION is a people business - delivering the product depends on the willing co-operation of the teachers. In seeking to raise the quality of education in UK schools, the government has neglected this essential truth and failed to cultivate the profession's support. The result is that progress on much-needed reforms could be stalled by the overwhelming opposition of the teachers.

The present difficulties arise from the introduction of the national curriculum and compulsory tests at seven, 11 and 14. The former has a useful role to play in setting benchmark standards for schools, especially in basic skills and core knowledge. It can also reduce unnecessary diversity in what is taught across the country, an obstacle to educational achievement for children who move home during schooling.

Compulsory testing was originally seen as a diagnostic tool, to help teachers identify under-achievers. A second objective was then imposed: tests would be used to judge school performance. The first objective requires complicated tests to determine individual achievement in a range of skills. The second needs national tests so that schools can be fairly compared. The result has been a complicated, national curriculum to sustain them.

Thus the national curriculum has become hopelessly overladen, reaching into almost every minute of the school day. In some subjects, it falls into the twin traps of

being insufficiently challenging for academic children, while neglecting the basic skills others need for the world of work. And it is far too prescriptive, insisting, for example, that every 14-year-old child read one of three named Shakespeare plays.

Teachers and their unions have been in the forefront of pointing out that the curriculum and the testing have become unwieldy. However, successive education secretaries have ignored their protests, because the unions have in the past obstructed reform. They have thus ignored legitimate objections, many shared by those who have in the past supported the government's reforms. This has allowed a teachers' boycott of testing to gather support that threatens the whole programme.

Mr John Patten, the latest education secretary, was relying on the courts to enforce the law that makes testing compulsory. On Friday, the High Court failed to come to his aid, ruling that the boycotts were legitimate industrial action. Mr Patten has no alternative but to talk to the teachers if he wishes to secure their goodwill to allow testing to continue.

Because the discontent has been allowed to fester, it may take more than minor concessions to achieve this. At the very least, Mr Patten must come forward with proposals to reduce the scope of the national curriculum and simplify testing if his strategic aim of clearer, higher standards and better performance among schools is not to be jeopardised.

## Brave watchdog

NUMEROUS ACADEMIC studies have found either that takeovers fail to generate efficiency gains, or that the evidence of such gains is inconclusive. Yet Britain has seen successive takeovers become in which the number and value of acquisitions have risen inexorably. While there is no single explanation of this paradox, the extreme laxity of acquisition accounting is unquestionably one of the more important. So much the better, then, that the Accounting Standards Board (ASB) is now embarking on an overdue clean-up. But as ASB chairman Mr David Tweedie is well aware, the power of the vested interests involved in the takeover industry is such that this could prove a make or break affair for accountancy's promising new regulatory framework.

The laxity stems from the scope granted under existing rules to an acquiring company to attribute new, "fair" values to the assets and liabilities of the acquired company. There is a temptation, first, to write down the value of the acquired company's stock to unrealistically low levels, then to make provisions in advance for losses, and to boost profits artificially in subsequent years. Existing practice has, then, offered an open invitation to man-

agement to write its own profit figures. A growing market in corporate control has made the business of trading in companies seem an easy alternative to generating increased revenues from goods and services in a mature economy. The beneficiaries have been the managers of predatory companies, whose remuneration has risen to reflect growing assets and earnings; and bankers and brokers who have benefited from increased market activity in the City, two of whose leading institutions, the Bank of England and the London Stock Exchange, are among the ASB's ultimate paymasters. The losers have been shareholders, especially those in the acquiring companies, and the wider economy.

The ASB will come under powerful attack from those sectors of industry whose illusory profits are threatened and from the City, where real profits are at stake. It is therefore important that the government, the Confederation of British Industry and the ASB's own backers in the City recognise that the reforms will not distort legitimate business activity. They constitute an attempt to remove existing distortions that result from a wholly inappropriate set of incentives for company management. As takeover activity has increased, the economic significance of those distortions has become greater. The ASB deserves every support in promoting a supply-side reform whose technicality belies its considerable importance to the economy.

Yeltsin leaves Vancouver facing a daunting agenda. Clinton departs to plaudits. John Lloyd and Jurek Martin, below, assess the summit

## Back to the task of Russia's future

AFTER his weekend meeting with Bill Clinton in Vancouver, Boris Yeltsin is returning to Moscow secure in the knowledge that he has the American president's unequivocal support. Assistance for the Yeltsin reform programme has now been enshrined in the Clinton declaration that it is "the highest duty of all the western democracies" to come to Russia's aid.

Vancouver was time out, and Mr Yeltsin looked and sounded the better for it. It was a little over a day and a half of lavish hospitality, high praise and smooth Canadian organisation which the Russian delegation accepted gratefully. If a little formally, now comes the more difficult part, when the weary Russian president has to take on the tricky tasks at home vital to his political survival.

Mr Yeltsin must first present the weekend's summit as a victory. That may prove more difficult than might be thought after securing a pledge of \$1.6bn from the US (plus nearly another \$400m pledged by Canada and Britain before Vancouver) and the promise of a multi-billion dollar package from Group of Seven leading industrialised nations before the end of the month. The problem is that such aid is regarded sceptically by many Russians and with hostility by Mr Yeltsin's opponents. Reactions range from doubt that it will be forthcoming to feelings of humiliation - a sentiment which Mr Victor Chernomyrdin, Mr Yeltsin's increasingly obstructive prime minister, expressed in a pre-summit interview.

The president has been assisted in this presentational task by the cunning construction of the US package. It is, as Mr Yeltsin said on Sunday, a plan which accentuates co-operative aspects and stresses what each economy can do for the other.

However, Mr Yeltsin must keep his political balance until the April 25 referendum, which will measure popular support for his continued leadership, his economic proposals and for holding early presidential and parliamentary elections.

As Mr Clinton's aides have pointed out, the president has done

little or no campaigning recently, beyond rather tense TV appearances at times of high drama. Upon his return from Vancouver, he must immediately take his case directly to the people, in the way he did so effectively nearly two years ago when he secured the presidency. He is immeasurably more tired than he was then and may be discouraged, but he has no choice if he is to emerge with a popular mandate.

Yeltsin must also make clear what he will consider a victory in the referendum. Under the rules which the parliament proposed, it will require 50 per cent of the voting public not just to turn out, but to register assent for Yeltsin's propositions, before he can claim a vic-

tory. This is highly unlikely even with the tide turning in his favour. If the Constitutional Court does not rule this stipulation unconstitutional, then the Russian president faces a difficult choice. He must be prepared to ignore the court's decision and present a majority vote for himself as sufficient basis for a claim of victory, or he must revert to his original idea of holding his own vote, free of such qualifications.

In any case, the Russian people must be made fully aware of what they are voting for, and what the stakes are. Mr Yeltsin said on Sunday that these stakes were formidable - nothing less than the preservation and extension of free-

dom itself. The president will need to bring that message from Vancouver to Vladivostok, Voronezh and Volgograd.

If he wins the referendum, Yeltsin has no choice but to capitalise upon it immediately. He must resist the temptation to disengage himself from government as he did after his triumph over the attempted coup of August 1991. What is needed most urgently is for Yeltsin to implement the G7 funding package expected to be put before him after the group's finance and foreign ministers meet in Tokyo later this month.

Mr Boris Fyodorov, the deputy premier in charge of the economy and finance, said on Sunday that "everything depends on April 25".

Decisions on the control of the central bank and the bankruptcy of state enterprises await its outcome. A plan is ready, but the political support is lacking.

Victory in the referendum must also be followed by the introduction of a constitution which clearly defines the balance of powers between president and parliament and allows both to develop effective and complementary responsibilities. This will surely be a long process as it has been elsewhere, including the US, where there was a gap of 13 years between the signing of the Declaration of Independence and the adoption of the constitution.

Russia, however, cannot wait a decade and survive in one piece. There must be a workable resolution which will preserve the fissiparous federation and allow reasonably effective government in the short term.

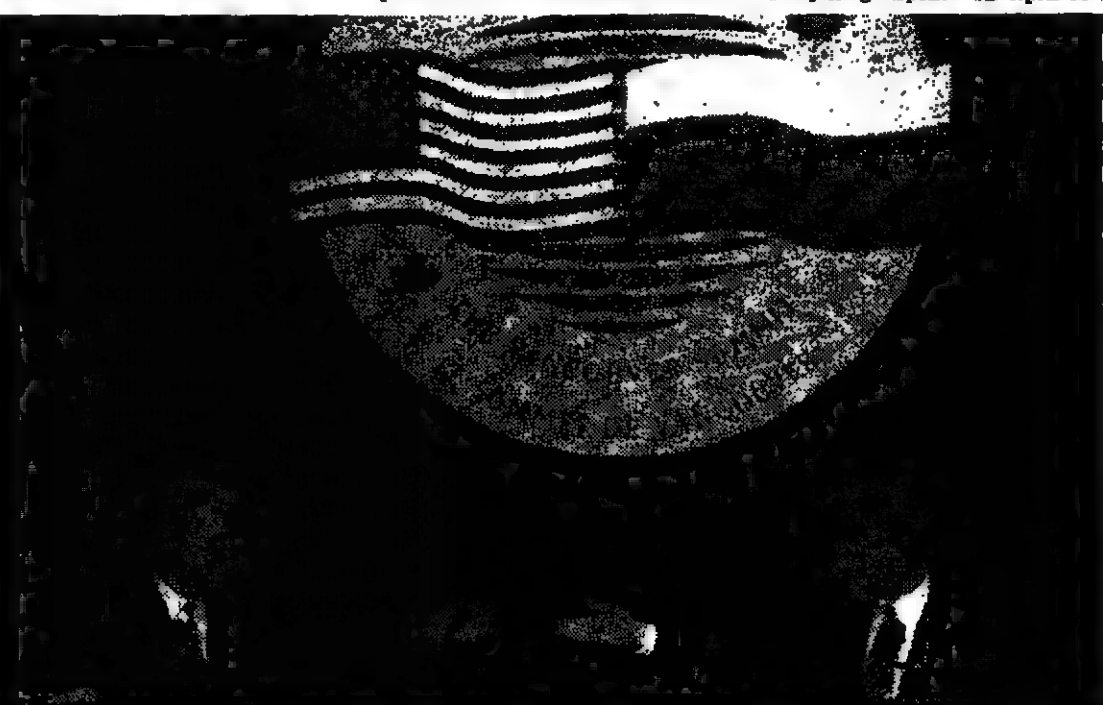
Mr Yeltsin must also define clearly his country's relationships with the other former Soviet states. These are currently in disarray. Russia cannot continue to advance credits to its neighbours as if they were its own regions. It must force them, in effect, to adopt their own currencies. At the same time it cannot treat them as political punchbags to be battered whenever attention needs to be diverted from the faltering Russian economy. There must be a coldly rational process of defining national interests - but one which recognises interdependence among the former Soviet republics.

The final task facing Mr Yeltsin is to provide a sense of hope to the Russian people, in whom he has placed his trust. In the past he tried and failed to provide a sense of optimism with unrealistic promises of rapid economic improvement. Instead he must use exhortation, example and openness.

"There is no alternative to me," he said in Vancouver. "There will be tomorrow, but not today."

But that will only be true if he makes himself indispensable to reform. Only if President Yeltsin nurtures the soil on which a worthy successor can grow will he be able to hand over power peacefully and with a sense of achievement.

J.L.



Masterful touch: the summit may have enhanced the standings of both Yeltsin and Clinton

## Best US shot for Boris

TO HAVE impressed Boris Yeltsin, both with his mastery of the complex issues on the table and with his almost feline deference to Russian sensibilities, he adopted a conciliatory stance regarding the recent collision in the Barents Sea between Russian and American submarines. He allowed the legitimacy of Russian complaints that some restrictive cold war legislation still on the US statute books ought no longer to be applied to a post-communist nation embarked, however haltingly, on the road to democratic and market-oriented reform; and he offered, above all, not charity but partnership.

**Bill Clinton's commitment to change is clearly going to be applied overseas**

Obviously, the post-cold war rules of international relationships are still sketchy. But Mr Clinton's commitment to, and fascination with, change, so evident at home, are clearly going to be applied overseas. It is inconceivable that either of his predecessors - Ronald Reagan, sticking to his lines and his core beliefs, and George Bush, reveling in the camaraderie of the international leadership club for its own sake but faithful to it to a

fault - could have displayed such inventiveness and intellectual grasp. Yet, like them, he has secured a commitment from Moscow to co-operate as far as possible across the foreign policy board.

On this scorecard, Vancouver may be seen as a triumph. Even allowing for his preference for substance over form, he managed also to appear thoroughly presidential. This may have come as less of a surprise to those who have observed him closely over the past two months, but it certainly impressed the legions of Russian and foreign correspondents who descended on Vancouver. There were many favorable contrasts with the relative paucity of current European and Japanese leadership.

The critical case turns most of the above arguments upside down, with twists. The fundamental objection is that, no matter what distinctions he draws between Mr Yeltsin the man and the reform process in general, Mr Clinton is betting too much on the Russian president.

They had seemed an unlikely pair, the southern mercurial, fascinated with policy intricacies and the Russian strongman of the thumping fists. But if they struck a genuine personal rapport, as they said they did, two poor boys from humble backgrounds with strong populist traits, then the loss of Mr Yeltsin might even be more grievous for the US president.

He has said, after all, that he wants to depersonalise international policies: to him Saddam Hussein of Iraq is not the villain he was to George Bush. But the American psyche, very much manifest in this thoroughly modern president, does personalise relations and Mr Clinton is proud of his ability to relate to people.

Whether he likes it or not, and almost regardless of his policies, the loss of Mr Yeltsin would, in the US perspective, hurt Mr Clinton, whereas he would get less credit for helping to "save" him. It could also undermine the credibility of his attempts to cut the US budget

**He presented a package that holds out to the US private sector the prospect of new business**

deficit, in good part dependent on taking a large bite out of defence.

The second indictment is that he underestimates the intractability of Russia's economic problems. Mr Clinton is a natural born interventionist, but his laboratories so far have been familiar and domestic. Talking about the need for a responsible Russian monetary policy is far easier than bringing the central bank to heel. The reservations, so evident in Japan, that try-

ing to aid Russia is pouring money down a drain have powerful adherents in the US.

Thirdly, all presidential protestations to the contrary, there is just the hint of financial and political legerdemain about the US assistance package, which is suddenly larger than had been expected. Switching food credits around assorted agricultural programmes may help US farm exports but it looks sick at a time when fiscal responsibility is supposed to be the domestic rule.

Holding out the promise of more from Congress, and getting it to repeal those trade restrictions Russia finds objectionable, may be easier said than done, especially when the domestic constituency for halting out foreigners is so weak. The promise of many of the micro-programmes, such as student exchanges and energy efficiency assistance, will not be redeemed in a hurry.

The final question is whether Mr Clinton can keep the G7 and the International Monetary Fund and World Bank in line, let alone additionally tap the Saudi pocket. For there is this nagging problem, which he freely concedes, about the imperative of appropriate Russian policies being put in place. Without them, not only the Japanese may balk.

The president keeps saying that only the Russians can "save" Russian democracy. But at least in Vancouver he gave it his own, very distinctive, best shot.

IM

## OBSERVER



"We've decided to have you put down"

rumours of internal disciplinary hearings concerning expenses irregularities; and Michael Green, 45, the UK's latest rising media boss and ITN chairman, brushed aside a follow-up question on possible staff cuts.

"The days when you could write about 'the troubled ITN' are gone," stressed Purvis. Another over-hasty news judgment, perhaps?

### Lucky for one

The words of an anonymous reviewer in the late lamented Punch magazine should have come back to haunt him. Of the 30th Dick Francis thriller, Comeback, he or

she wrote: "A year without Dick Francis would be as unthinkable as a year without the Grand National".

Unthinkable! Certainly not to members of White's Club. Each year their National sweepstakes includes the names of all the horses together with a race declared void ticket. This year a lucky punter won himself \$9,000.

### Melodious

If you really want to catch Lord Hanson's ear, whistle an old Nat King Cole number, or better still get him to talk about his days in the British Forces Broadcasting Service. Lord Hanson may be rather shy when it comes to giving interviews but the BFBS's Richard Astbury had no difficulty getting him to go on the record about his days as a forces disc jockey for tonight's Radio 2 programme "Forces Gold".

It all dates back to February 1945 when Captain James Hanson of the Duke of Wellington's regiment arrived in Athens. Having helped put down a communist uprising, Hanson bumped into Leslie Perowne, a radio star of that era, who asked him if he fancied spinning a few of his records on the turntable. Hanson didn't need to be asked twice and struck up a close friendship with Perowne. Apart from convincing Hanson that he ought to set up his own radio station one day, Perowne taught him a few presentational

tricks which have helped Hanson "enormously in business". Given that Astbury had to condense BFBS's 50-year history into 58 minutes, most of Lord Hanson's remarks have ended up on the cutting-room floor. Apparently, Lord H waxed quite lyrically about his friendship with Frank Sinatra whom he entertains at his Palm Springs hideaway.

### Versus

If cows had three horns, Sarosh Zaiwalla would be sitting on them. Every way he turns there is the Indian government.

Zaiwalla, the Chancery Lane-based doyen of Indian solicitors in the UK, is simultaneously suing the Indian government for unpaid fees of some £180,000, judgment on which is expected in the London high court this week; he is representing it in an action against aircraft maker McDonnell Douglas; and he is sitting on an international arbitration panel considering a £17m claim against, yes, the Indian government.

Zaiwalla is promising himself a holiday to escape this legal minefield. He won't be off to New Delhi, one assumes.

### Footnote

Why does the Queen's head and not her legs appear on British banknotes? Because that makes it harder to counterfeit.



## Metal employers at odds on east German pay initiative

By Judy Dempsey in Berlin

A COMPROMISE aimed at averting all-out strikes in east Germany's metal and electrical sectors was thrown into doubt yesterday after disagreement between regional and national employers' associations.

The plan was drawn up at the weekend by Mr Kurt Biedenkopf, prime minister of Saxony, Mr Hans-Dieter Gens, regional head of IG Metall, Germany's powerful engineering union, and Mr Erwin Hein, president of the Saxony regional employers' association.

It proposed that workers in the state's metal and electrical industries receive a 28 per cent pay increase this year, compared with the 9 per cent first offered by the employers.

A 26 per cent rise would bring their incomes up to 82 per cent of western German levels, as called for in a contract signed in March 1991 between the unions, the employers, and the managers of eastern German enterprises. Next April, metal and electrical workers would have had their incomes increased to 91 per cent of west German levels.

Wages in eastern Germany are currently between 65 and 70 per cent of western German levels. The 1991 agreement envisaged income parity by April 1994, but under the Saxony proposal IG Metall would have postponed this goal by nine months to January 1995, and called off warning strikes which began last week.

Saxony's metal and electrical employers will today meet to decide whether to accept the plan. But the proposal, clearly favouring IG Metall, must also be approved by Gesamtmetall, the federal metal and electrical employers' association, which rejected the deal outright.

The association said it would not accept the compromise. "We are sticking to 9 per cent. And that is that. We will not go back to the original timetable towards income parity," it said.

IG Metall officials yesterday said the agreement, mediated by Mr Biedenkopf - a leading member of the Christian Democratic Union and once tipped as a possible successor to Chancellor Helmut Kohl - could "serve as a model for the rest of eastern German states". Over half of IG Metall's 300,000 eastern members are based in Saxony.

Last month Gesamtmetall, followed last week by Arbeitgeberverband, the steel employers' association, broke the 1991 contract. They said they could not afford the wage increases because of the recession in western Germany, the deteriorating economic circumstances in the five eastern German states, and persistently low productivity levels, which are 70 per cent below western Germany.

IG Metall, anxious to boost its support in eastern Germany, put pressure on the employers through warning strikes last week. It intends to ballot its east German members for an indefinite strike in the region, and protests in the rest of Germany from April 24.

## New French ministers want to reopen EC-US farm pact

By Andrew Hill in Luxembourg

MINISTERS from France's new centre-right government pledged yesterday to continue the previous administration's efforts to reopen last year's EC-US farm trade agreement, a key element of the Uruguay Round world trade talks.

Mr Alain Juppé, France's foreign minister, told his EC colleagues that the administration still had to be convinced about the compatibility of the November deal with the reform of EC common agricultural policy agreed in May.

"This is of capital importance for us," he told fellow ministers in Luxembourg. "It's of economic, political and social importance and I would even say it's important for reasons of culture and civilisation."

He also stressed that the government would continue its predecessor's opposition to the EC-US deal on oilseeds, which is separate from the Uruguay Round.

But Mr Tristan Garel-Jones, the British Foreign Office minister, warned Mr Juppé that the French would "certainly not get anything better than the November deal".

The new government's chances of reopening the agreement are slim. Senior agriculture officials from the 12 EC members have already concluded that Community undertakings within the General Agreement on Tariffs and Trade are compatible with the CAP reforms.

But Mr Juppé said after yesterday's meeting that there was still



French foreign minister Alain Juppé (right) with his German counterpart, Klaus Kinkel, before yesterday's talks in Luxembourg

work to be done: "We have had a partial debate on certain consequences [of the EC-US deal] but we think we haven't obtained a response to the overall question [of compatibility]."

Foreign ministers, who were discussing whether to endorse the Washington deal, agreed to give the new French administration more time to form a view on the package. The socialist government, heavily defeated in last week's elections, refused to sanc-

tion the EC-US agreement, principally on the grounds that it would jeopardise France's lucrative cereals trade.

Although Mr Juppé said the new government would maintain the firm line of the outgoing socialists, other ministers welcomed the moderate tone in which the French views were expressed - a far cry from some of the more strident pronouncements by centre-right candidates on the hustings.

## Japanese bank chief warns on recovery

By Robert Thomson in Tokyo

THE JAPANESE economy is unlikely to recover until late this year, Mr Yasuaki Mieno, governor of the Bank of Japan, told its regional branch managers yesterday. They had met in Tokyo to discuss a recent strengthening of some economic indicators and the unexpected surge in stock prices.

Mr Mieno's comments came as the central bank intervened in the Tokyo foreign exchange market to halt the yen's sudden rise, which business groups have warned may threaten economic recovery by putting extra pressure on vulnerable export industries such as the electronics and car sectors.

A continuing weakness in capital spending in manufacturing industry was reflected in a 26.2 per cent fall in orders for machine tools during February, including a 36.2 per cent year-on-year drop in orders from car-makers. The Japan Machine Tool Builders' Association said exports for the month were down 5.7 per cent.

Japanese companies are being forced to reduce capital spending as many industries are still attempting to trim excess production capacity. Pointing to this trend and to weak consumer demand, Mr Mieno said final demand was unlikely to recover until the second half of the fiscal year, which began this month.

He suggested recent optimistic reports by private sector economists were premature, as there was no certainty that a small increase in domestic car sales and industrial production would be sustainable in coming months.

The central bank's regional branch managers have apparently brought generally gloomy economic news with them to Tokyo, as private construction orders have fallen sharply, putting added importance on a government economic package to be finalised this month.

Concerned by fluctuations in the yen, the Bank of Japan intervened when the Japanese currency hit a high of ¥113.30 to the dollar during trading in Tokyo yesterday - it closed at ¥113.88.

Members of the ruling Liberal Democratic party have suggested that finance ministers of the Group of Seven leading industrial nations should discuss the currency markets at a meeting in Tokyo on April 14.

Fears of redundancy, Page 6

### THE LEX COLUMN

## A polished mirror

Mirror Group Newspapers' ability to generate headlines in other people's publications remains undiminished. But while its management has been loudly lambasted for its rough handling of cherished columnists, it has been quietly winning a following in the City. The stock market has sensed a real recovery story beneath the drama. Since being relisted, MGN's shares have more than doubled. They rose 11 per cent after yesterday's annual results.

With operating profits up 16 per cent to £37.8m and margins widening from 18 per cent to 21 per cent, the appeal is easy to understand. A 9 per cent growth in advertising revenue this year and a suspiciously large exceptional reorganisation provisions of £116m suggest there is further growth to come. The administrators doubtless hope this will help them dispose of their 54.8 per cent holding at a handsome price, possibly through a placing.

The trouble is that MGN's trading improvements may simply reflect the snack of firm management following its unfortunate distractions. Once the immediate recovery story has run its course, doubts may resurface about the group's debt, dividend and long-term direction. It will be difficult for MGN to reduce year-end borrowings of £395m, suggesting another passed dividend this year.

The task will be made all the harder by the fall in the Daily Mirror's circulation following last July's price rise. Given the current hostilities in the tabloid market, it will be difficult to recover sales.

### UK gilts

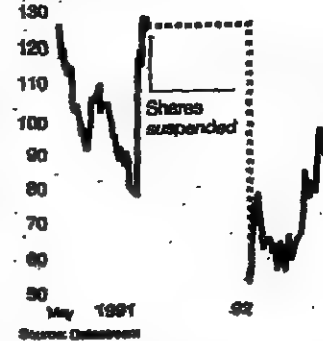
On the surface, the money supply figures had a reassuring message for the gilt market. Overseas investors bought over £1bn in gilts in February, the largest monthly total for nearly two years. Yet it would be rash to assume that buying will be sustained at this level.

February was remarkable in two ways: sterling fell to nearly DM2.30 and the gilt market was supported, particularly at the short end, by expectations of lower interest rates. The first made gilts attractive to those prepared to bet on the currency recovering from what appeared an abnormally low level. The second, which was probably a more significant influence, held out the promise of capital gain. Even investors worried about sterling falling further could hedge

FT-SE Index: 2638.8 (-31.1)

### Mirror Group Newspapers

Share price (pence)



themselves by financing their holding at a profit with cheap short-term money. The main factor behind overseas purchases appears to have been such hedged buying by Japanese and US investors.

On neither ground is the market so attractive now. Sterling has recovered, limiting the room for further currency profits. Talk of base rate cuts has faded. In the six months since sterling left the ERM, overseas investors have made net gilt purchases of only £500m, despite a 1.6 percentage point fall in 10-year yields. On the other hand, the political crisis in Italy and high real UK yields compared with those in Germany are now sparking some interest from the continent. And yesterday's other monetary data - promising moderate recovery without significant inflationary pressure - should help underpin prices.

### Morgan Crucible

Morgan Crucible will find the brave new accounting world a hostile place. Yesterday's £61.3m pre-tax profit was struck after £18.6m fair value provisions against acquisitions. If the Accounting Standards Board gets its way, such costs will in future be charged against profits. Having already restated 1991 profits downwards in accordance with FRSS, Morgan may have to break out the red ink once again. Yet its predilection for acquisition accounting comes as no surprise. Yesterday's 11 per cent fall in the shares reflects deeper concerns. The expiry of its self-imposed moratorium on rights issues prompts the question of how Morgan will fund itself. The £55m cash outflow last year

suggests internal resources will provide, at best, a partial solution. Even allowing for the effect of exchange rates on the company's dollar debt, 67 per cent gearing leaves little leeway for borrowing. The sale of Holt Lloyd and other businesses might yield £50m this year. The suspicion remains that the market will be asked to put up additional capital before long.

That will be difficult to justify while operating margins are being squeezed. Exposure to continental Europe and the automotive industries suggest a tough 1993, even though sterling's devaluation and Morgan's position as a low-cost producer will help offset these pressures. But without any organic earnings growth beneath the accounting mulch, shareholders should feel under no obligation to dig deep on the company's behalf.

### Continental/Pirelli

Pirelli has come out of its Continental adventure rather better than it deserved. It will not be paid for its Continental shares until December, so the time value of money means the effective price is less than the DM250 it claims. But it has still obtained a hefty premium over yesterday's DM204 Continental closing price. That and the devaluation of the firm will produce a £1.40bn capital gain this year, although that is also not quite what it seems. The gain only arises because Pirelli wrote the holding down to a book value below DM200 a share. Since it originally paid over DM300, it has lost money overall.

More baffling is the willingness of German institutions to buy Pirelli out at such an exorbitant price. The triumphalism of the finance minister of Lower Saxony suggests political pressures for a German solution were paramount. Nord/LB will finance its part of the rescue by issuing a bond convertible into Continental shares. But Continental paid no dividend for 1991, which raises questions about how it will cover the 6 per cent interest cost.

Much of the deal remains obscure. In stark contrast to the more open corporate culture heralded by Daimler-Benz's New York listing, Pirelli's effort to grab control of Continental provided Germany with an incentive to introduce full shareholder democracy with the parallel safeguard of a takeover code. It is a pity that Deutsche Bank, which should have the best interests of the country's financial system at heart, orchestrated such an old-fashioned solution.

## UK to boost export projects

By David Dodwell, World Trade Editor, in London

THE UK moved yesterday to encourage its exporters to work more closely together in bidding for large projects in foreign markets.

The government will aim to pinpoint "national champions" responsible for taking the lead in particular export sectors - including power, water, airports, transport and oil and gas.

The move is part of a wide-ranging effort to boost UK exports, and follows concerns that contracts have been lost because UK companies have been fighting against each other rather than against foreign competitors.

North West Water and Thames Water earlier this year lost a

large water utilities contract in Buenos Aires in Argentina to Générale des Eaux of France after competition between them led to neither arranging export finance in time.

France and Japan in particular are seen as having been effective in co-ordinating the efforts of local companies to win large international contracts.

Mr Richard Needham, trade minister, said yesterday he was "determined to help create a unified British approach to the challenge which the main project markets present. Companies need to work together more effectively."

The change would "provide focus and strategy and administrative structure to back winners, and stop us murdering each

other to the delight of our competitors", he added. It forms part of a wider plan to boost UK earnings from large contract exports from an expected £10bn this year to £20bn by 2000.

The aim is to reorganise the Overseas Projects Board in the Department of Trade, whose job is to ensure close links between government and industry in bids for large export projects.

New sector groups headed by business people rather than government officials will pinpoint UK export strengths in the sectors concerned, identify priority export markets, seek joint ventures in infrastructure projects and look for opportunities for collaboration in developing countries, in particular as they privatise sectors of their economies.

## Warning on aid to Russia

Continued from Page 1

spokesman for the Japanese government, indicated that Japan was preparing further aid measures of its own, which it intended to have ready for the G7 Tokyo meeting. A Japanese foreign ministry official told AP-Dow Jones that the size of the package would be comparable to that of the US.

For his part Mr Kohl said that "anchoring democracy, the rule of law and the market economy

in Russia, and the other reform states, is a unique chance and challenge which demands the full commitment of the entire West". But he added that Germany, which would not be providing fresh money, had already "provided more than half of western aid".

Foreign ministry officials in Bonn are increasingly confident that the Clinton administration is much more committed to supporting Russia's reform process than the Bush administration.

## Mercedes expands in US

Continued from Page 1

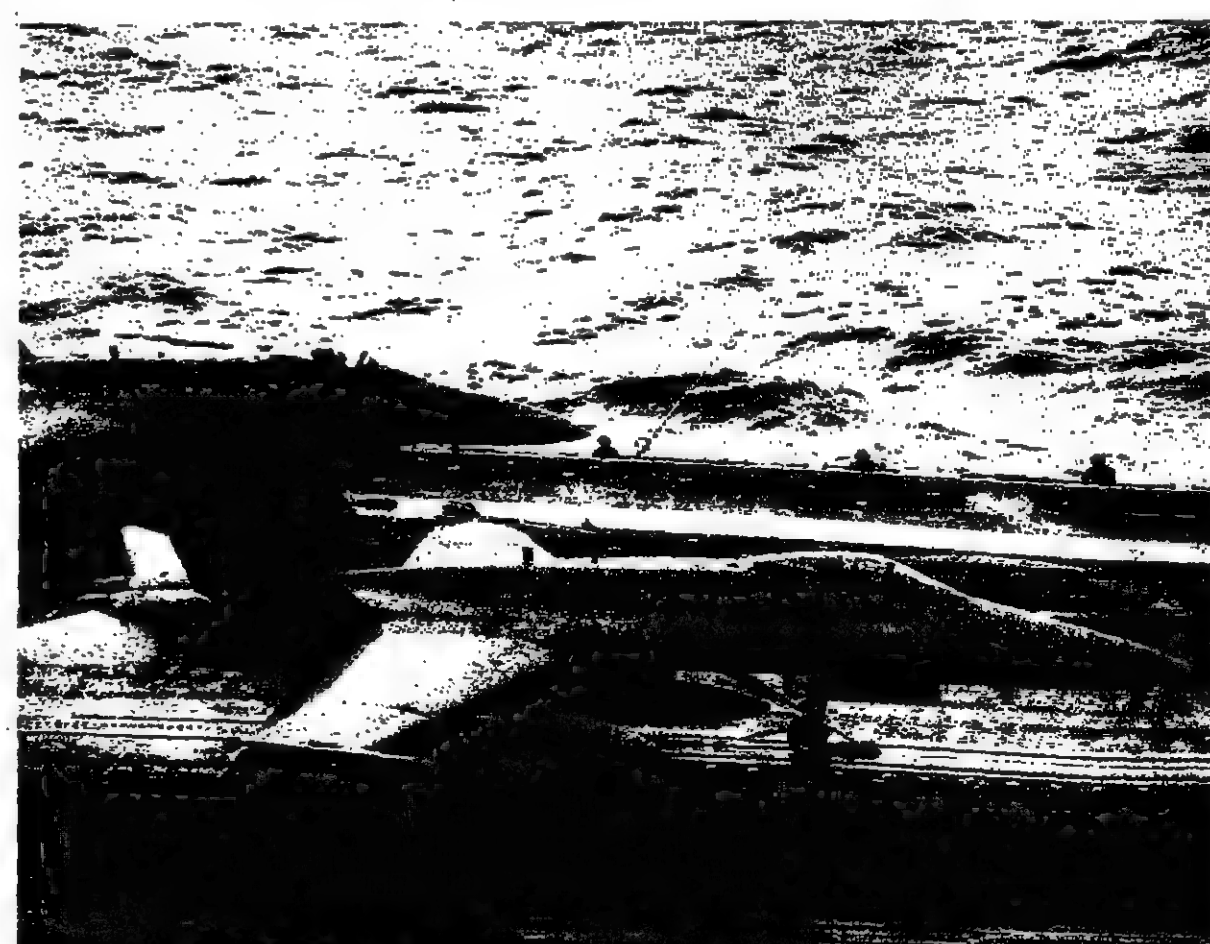
concepts," Mr Werner said. Mercedes said it intended to manufacture the new vehicle in the US because this was the biggest single market in the world for sports utility vehicles.

However, US production will also be substantially cheaper than in Germany, where the company faces high labour costs. Mr Werner said Mercedes aimed to cut its European production costs by 30 per cent and the same

should apply to its US plant.

In an effort to deflect criticism of the move by German labour unions, the company insisted that it would not have come to the US for cost reasons alone.

Daewoo said yesterday that it had also reached agreement after several years of negotiation to build buses in Russia in partnership with Avtotor, a Russian manufacturer. The buses are to be built at a plant near Moscow. Further details will be released in Mannheim on Wednesday.



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Algeria	S	21	70	Caracas	F	25	77	Geneva	F	9	48	Malgosa	S	18	64	Quito	F	15	59
Amsterdam	F	8	48	Cebu	S	27	81	Glasgow	R	6	43	Malta	S	17	63	Rio de Janeiro	F	24	75
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## INTERNATIONAL COMPANIES AND FINANCE

## Miroglio poised to take majority stake in GFT

By Haig Simonian in Milan

GFT, the loss-making Italian clothing and textiles group, has agreed to sell a "significant" stake to Miroglio, its slightly smaller counterpart, via a capital increase.

No financial details of the deal, to be concluded by June 30, have been revealed. However, it is expected that Miroglio, based in Alba, will buy a majority stake in Turin-based GFT, subject to detailed consideration of its trading position.

GFT, owned by the Rivetti family, is Italy's third-largest clothing group after Benetton and Marzotto, with annual sales of about L1,500bn (\$940m). The privately-owned

and publicity-shy Miroglio, owned by the family of the same name, has annual sales of about L1,200bn.

Miroglio has been seen as the most likely investor in GFT, which has plunged into substantial losses owing to rising costs and falling demand for many of the expensive designer label clothes it produces. In contrast, Miroglio has concentrated on cheaper lines, many of which are produced outside Italy.

● Sasib, the precision engineering and railway signalling equipment group controlled by Mr Carlo De Benedetti's Cir holding company, posted a sharp fall in net profits to L41.6bn last year from L73.2bn. The company attributed the

decline to lower extraordinary earnings, recession and restructuring costs at some recent acquisitions.

The rapid growth of Sasib, which raised sales by 12.9 per cent to L865bn last year, has come partly through the purchase and turn-around of loss-making operations. Adjusted for acquisitions, sales rose by 11 per cent.

The profits slump triggered a 1.50 cut in the dividend to L180 for ordinary and preferred shares and L200 for savings stock.

Sales and earnings on the railway signalling side improved substantially, but the group's food processing equipment activities had mixed fortunes.

## Growth puts Rinascente under the spotlight

Fiat-controlled Italian retailer is a possible acquisition target, reports Haig Simonian

IMPROVED earnings and sales from La Rinascente, Italy's biggest retailer, could increase its appeal to potential acquirers.

In spite of the deepening recession, sales last year grew by 9.7 per cent to L5,940bn (\$3,163bn), while earnings for the Fiat-controlled group rose marginally to L102.2bn against L100.9bn in 1991.

The improved profits, coming in spite of higher taxes, were accompanied by a L10-a-share dividend increase. Meanwhile, labour costs, a traditional weakness, rose only marginally due to lower wage rises and improved productivity.

Though Rinascente's return on sales remains poor, the figures underline the view of Mr Giuseppe Tramontana, managing director, that the group represents "the key" to Italian retailing.

That role has pushed Rinascente into the spotlight since comments by Mr Giovanni Agnelli, Fiat's chairman, that Rinascente is not a core business. With Fiat facing plunging profits and heavy spending, the retailer is believed to be for sale. Fiat owns 51 per cent of the ordinary shares, with the remainder listed.

The list of potential buyers should be long. Italy is one of western Europe's least developed retailing markets, with a excess of tiny, family-run shops and a dearth of the big department stores or out-of-town shopping centres familiar elsewhere.

There are 82 people for each traditional small retail outlet, compared with 153 in France and 250 in the UK. In 1991, Italy had only 48 department stores and 124 hypermarkets nation-

wide, against 320 and 940 respectively in France and 340 and 610 respectively in the UK.

Change is under way. Around 5,500 small food stores have been closing a year since 1988. Recently, the shrinkage has accelerated and affected the non-food sector.

Mr Tramontana estimates between 20,000 and 25,000 small retailers went out of business last year. Meanwhile, the number of supermarkets has surged.

However, Mr Tramontana denies that negotiations are under way to sell Rinascente. For many analysts, the obstacle is Fiat's demand for too high a price.

Whatever the truth, Rinascente's appeal has grown thanks to its investments in new stores, which have depressed earnings but also made it a more attractive long-term prospect.

Annual investments have been running at almost L300bn in the past few years. In 1992, spending rose to L420bn, although L130bn came from a sale-and-leaseback arrangement at one new shopping centre.

In all, the group plans to invest L2,000bn in the 1993-96 period. Most of the money has gone into hypermarkets, which now total 18, and the S&M supermarkets subsidiary, which has grown to 119 units.

Almost 60 new specialty stores for home furnishings, do-it-yourself and consumer electronics have also been developed.

Turnover from hypermarkets surged 122 per cent in the period 1988-91: super-

market sales increased by 113 per cent; while sales at the do-it-yourself and home furnishing chains went up by 200 per cent and 104 per cent respectively.

New openings have been combined with remodelling and closures at Rinascente's troubled Uptim variety store chain.

Modelled on the mid-to-lower segment all-purpose US stores of the 1950s, Uptim failed to move with the times. Although often in prime sites, the chain of 157 directly-controlled outlets and 383 franchises has suffered from inadequate investment, leading to a tatty look and out-of-date image.

Last year, 15 Uptims were converted for other uses, while a further 21 were shut for conversion into franchise operations.

"We don't think the process is finished, with up to 20 more stores still to be changed in the next two years. But we think the remaining outlets can contribute well, especially at a time of economic difficulties, when this style of store can be popular with consumers," says Mr Tramontana.

Although restructuring and investment should make Rinascente a more attractive acquisition, some bankers question the conventional wisdom that it is just waiting to be plucked off the tree.

Many say Rinascente's range of activities is too broad. Some purchasers might want the hypermarkets and supermarkets, but could be put off by the flagship La Rinascente department stores, which might appeal to a different buyer. And finding a taker for

Uptim, even after restructuring, may not be easy.

Mr Tramontana denies that a break-up is the solution. "It's not a business which can be divided, as all the pieces are interconnected," he says. "No one else is present in so many sectors. With retailing in Italy in ferment, any buyer will want to be present across the board."

That shrinks the list of possible acquirers to Europe's biggest retailers. Alternatively, Rinascente could appeal to a financial institution, either alone or in consortium, which would take it over pending an eventual sale or flotation, he thinks.

In spite of rumours of behind-the-scenes talks, there are no clues as to a change of ownership.

One of the market's favourite scenarios - a takeover by Mr Silvio Berlusconi's Standa group - is scotched by Mr Tramontana, who says that negotiations have never been held.

Even the big French or German retailers, who have often been portrayed as the most likely buyers, have so far been cautious in Italy.

Germany's Tengelmann bought a Tuscan supermarket chain in the late 1980s, but has done little since; France's Carrefour entered the Italian hypermarket scene enthusiastically, pulled out, and is now edging back.

None seem over-enthusiastic about taking over Rinascente, making recent speculation in its shares, which have climbed by about 40 per cent since Mr Agnelli's hints last June, hard to justify.

## MB-Caradon profits ahead 18% at £125.7m on lower interest costs

By Angus Foster in London

MB-CARADON, the UK building products and security printing company, yesterday announced an 18 per cent profit increase helped by lower interest costs and improved US productivity.

Pre-tax profits increased to £125.7m (\$178.49m), from £106.4m, in the year to December 31, on turnover 2 per cent lower at \$664.4m. At the interim stage, profits were 28 per cent higher at \$60.9m.

Following last week's sale of its 25.3 per cent stake in CarnaudMetalbox for £473m, Caradon has net cash of £428m and is looking for acquisitions. Mr Peter Jansen, chief executive, said the company would favour buying a UK or Ger-

man-based building products company. "We want to broaden our base." The company's UK building products division, which includes Everest double glazing and Mira showers, saw operating profits fall 27 per cent to £35.2m because of squeezed margins and teething problems at the company's upgraded radiator factories.

Mr Jansen said there were signs of improvement in the UK, and Everest's first-quarter sales were up 30 per cent compared to the weak start last year.

In the US, security printing lifted operating profits 23 per cent to £38m due to improved efficiencies. Overseas building products, which mainly covers European radiator manufacturing, reported a 28 per cent

increase in operating profits due to improved volumes. Sales to Germany, the company's most important market, remained buoyant but the company is cautious about this year.

Interest costs fell from £20m to £5.1m after the proceeds of the £149m rights issue in November 1991 reduced borrowings. Year-end net borrowings stood at £44.9m compared with £40.5 a year ago, and £302m at the start of 1991.

The contribution from the CMB stake increased 19 per cent to £37.7m. The year-end book value of the stake increased to £383.1m.

The directors recommended a final dividend of 5.9p to make a total of 8.66p, a 2.6 per cent increase.

## Sales rise at Deutsche Babcock

DEUTSCHE Babcock, the German machinery and plant engineering group, said group sales in the first half of the fiscal year which began October 1 were 18 per cent higher than those of a year earlier, AP-DJ reports from Bonn.

The rise to DM3.1bn (\$1.88bn) represents a slowing from the

22 per cent sales gain to DM3.5bn reported for the first five months of this fiscal year.

Mr Heyo Schmiedeknecht, chairman, said order inflows in the fiscal first half were DM5bn, 55 per cent higher than those of a year before. Last month, the company had reported a 47 per cent increase

in five-month orders to DM3.8bn. Adjusted to exclude newly-acquired units, he said orders rose 33 per cent.

Order backlogs at March 31 were DM9.4bn, 29 per cent higher than a year before. Adjusted to exclude acquisitions, the gain in order backlogs was 5 per cent.

## Mirror Group loses £84m

By Roland Rudd in London

RESTRUCTURING costs at Mirror Group Newspapers were responsible for a pre-tax loss of £84m (\$119.28m) in the year ended December 27. This compares with a pre-tax profit of £47.3m last time.

But operating profits rose 16 per cent to £97.5m from £83.7m on turnover of £466.1m against £459.9m. The shares rose 11p to close at 115p.

Mr David Montgomery, chief executive, while reaffirming the Daily Mirror's support for the Labour party, attacked what he called the paper's "cosy culture" between management, employees and unions.

Costs were reduced by tack-

ling "overmanning", reducing part-time casual staff and reorganising the group's resources.

Profits before exceptional items fell from £47.3m to £32.5m, after £17.9m was charged towards refunding the deficit in the group's pension scheme. There was an exceptional charge of £116.5m to meet re-organisation costs.

These included the rationalisation of the print operations (£48m), including the closure of three presses; 600 job cuts, half of which have already been announced (£16m); and costs associated with move to a new print site in Glasgow (£54m).

In addition, MGN has provided £8.4m mainly in respect of continuing costs relating to the pension fund.

Mr Montgomery acknowledged there had been "a period of traumatic change" in promoting "a new corporate culture", although he denied industrial relations at MGN were a problem.

He said those who had left the paper had been unable to embrace the new "entrepreneurial, enthusiastic spirit".

MGN is renegotiating the lease on its Holborn headquarters but may decide to move to another site. The group's gross debt, including finance leases, was reduced by £56m to £365m.

A loss per share of 18.7p compares with earnings per share of 9.5p. There is no dividend, compared with an 0.8p interim payout last time.

See Page 16

## Upbeat Nokia expects further German orders

NOKIA, the Finnish telecommunications group, expects further orders once a new DCS 1800 cellular phone network expands in Germany, Reuter reports from Helsinki.

Mr Jorma Ollila, president and chief executive, said: "We believe the order may bring significant orders in the future." The company will begin discussions of further orders within the next few months.

Nokia said it had won an order worth more than DM150m (\$90m) to deliver phones and infrastructure for the first phase of a new, Germany-wide personal communications network to

E-Plus, a German digital cellular operator.

● Hugo Boss, the menswear group, said it expected 1993 net profit to be lower than the previous year, Reuter reports from Metzingen.

"We will certainly not reach the record result from 1992," Mr Peter Littman, the management board chairman, said yesterday.

Boss net profit rose to DM44.2m (\$26.6m) in 1992 from DM33.4m a year earlier.

● Adidas, the German sports goods group, has confirmed it made a loss of DM148m (\$89.7m) in 1992 after a profit of DM15m the year before, Reuter reports from Herzogenaurach.

All of these securities have been sold. This announcement appears as a matter of record only.

New Issue/March 1993

10,000,000 Shares

**National Steel**

Class B Common Stock

The New York Stock Exchange symbol is NSS

2,000,000 Shares

International Offering

J.P. Morgan Securities Ltd.

Goldman Sachs International Limited

Nomura International

Solomon Brothers International Limited

ABN AMRO Bank N.V.

Credit Lyonnais Securities

Dresdner Bank

Robert Fleming & Co. Limited

Swiss Bank Corporation

Yamaichi International (Europe) Limited

8,000,000 Shares

United States Offering

J.P. Morgan Securities Inc.

Goldman, Sachs & Co.

Solomon Brothers Inc.

Bear, Stearns & Co. Inc.

Donaldson, Lufkin & Jenrette

The First Boston Corporation

Lehman Brothers

Merrill Lynch & Co.

Montgomery Securities

Morgan Stanley & Co.

Oppenheimer & Co. Inc.

PaineWebber Incorporated

Smith Barney, Harris Upham & Co.

Dean Witter Reynolds Inc.

The Buckingham Research Group

First Manhattan Co.

Janney Montgomery Scott Inc.

C. J. Lawrence Inc.

All of these securities having been sold, this announcement appears as a matter of record only.

March, 1993

10,350,000 Shares

**Allnet**

**AIC Communications Corporation**

Common Stock

1,800,000 Shares

PaineWebber International

Wheat First Butcher & Singer

CAPITAL MARKETS

This tranche was offered outside the United States and Canada.

8,550,000 Shares

PaineWebber Incorporated

Wheat First Butcher & Singer

CAPITAL MARKETS

Bear, Stearns & Co. Inc.

Alex. Brown & Sons

Lazard Frères & Co.

Lehman Brothers

Montgomery Securities

Nomura Securities International, Inc.

Oppenheimer & Co., Inc.

Wertheim Schroder & Co.

Robert W. Baird & Co.

J. C. Bradford & Co.

Cowen & Company

Dain Bosworth

First of Michigan Corporation

Furman Selz

Gruntal & Co., Incorporated

Ladenburg, Thalmann & Co. Inc.

Legg Mason Wood Walker

McDonald & Company

Neuberger & Berman

Piper Jaffray Inc.

Raymond James & Associates, Inc.

The Robinson-Humphrey Company, Inc.

Sutro & Co. Incorporated

Brean Murray, Foster Securities Inc.

First Analysis Securities Corporation

Foley Mufson Howe & Company

Gabelli & Company, Inc.

The Ohio Company

Pennsylvania Merchant Group Ltd

Roney & Co.

This tranche was offered in the United States.







## INTERNATIONAL COMPANIES AND FINANCE

## Largest Coke bottler to buy Dutch operations

By Nikki Tait in New York

COCA-COLA Enterprises, the largest bottler of Coke and 44 per cent-owned by Coca-Cola itself, yesterday announced three acquisitions for a total of \$360m.

The moves will further consolidate bottling operations for the Atlanta-based soft drinks company.

One of the businesses being acquired by CCE is Coca-Cola Beverages Nederland, a wholly-owned subsidiary of Coca-Cola, and the bottler of its products in the Netherlands.

This purchase takes CCE's interests outside the US for the first time.

In 1992, CCB Nederland sold the equivalent of about 82m unit cases, producing revenues of some \$320m. It accounts for about 40 per cent of fizzy soft drink volume in the Netherlands.

CCE, despite the substantial Coca-Cola stake, is a public company and quoted separately on the New York Stock Exchange.

It expanded significantly when it merged with Johnson Coca-Cola in 1991, and now dis-

tributes about 53 per cent of Coca-Cola's US bottle and can volume.

The other two companies which CCE is acquiring are domestic - Roddy Coca-Cola Bottling and Coca-Cola Bottling of Johnson City, Tennessee.

These businesses hold the licences for the Knoxville and Johnson City, Tennessee, areas, which in turn serve more than 1m consumers.

Last year, the equivalent unit case volume reached around 18m, and produced revenues of about \$60m.

## Digital decides to leave its historic Mill home

By Louise Kehoe in San Francisco

DIGITAL Equipment is leaving its historic headquarters at The Mill, in Maynard, Massachusetts.

The move reflects the drastic changes that are under way within the company as it streamlines operations and struggles to regain competitiveness.

"This was a very difficult decision for the company to make," said Mr Robert Palmer, president and chief executive of Digital, who last year succeeded Mr Ken Olsen, Digital's founder.

"This site holds a very special place in our history. As the location where the company first planted its roots, The Mill has acted as a strong symbol for Digital," he said.

Built in 1947 as a woolen mill, Digital's headquarters building dominates the small New England town of Maynard. It is a warren of stairs and wooden-floored offices, full of character and tradition, but lacking the efficiency of a modern office block.

"The spacious, idiosyncratic Mill was a home that suited a growing engineering company," Mr Irving Burg, property manager of The Mill, recalls in a company history.

"The challenge of negotiating the byways of connecting floors and buildings still satisfies the 'Mill rats', the name Digital gives to Mill employees.

Digital will keep its headquarters in Maynard, but many employees will be transferred to other sites, primarily in eastern Massachusetts.

Digital said it would work with local officials on plans for The Mill complex.

Companhia Cervejaria Brahma, Brazil's leading brewery and beverage company, posted a consolidated profit of about \$63m in 1992, down slightly from \$73.1m in 1991, writes Bill Hinchberger in Sao Paulo.

## Bank Austria veils transparency

By Ian Rodger in Zurich

TRANSPARENCY is all the rage among big Austrian companies these days as they try to increase their appeal to international investors.

But the idea of disseminating information in a fair and orderly way is not one that comes easily to the clannish Viennese.

Consider the misadventures of Bank Austria, the country's largest bank, in the past few days.

Yesterday, the bank, which has already applied for a listing on the London Stock Exchange, announced that it was launching an American Depository Receipt (ADR) programme, a move likely to encourage US investor interest in the bank's shares.

The news was distributed to journalists in the morning with a request not to pub-

lish it until noon, presumably so that European investors would not have an edge over American ones.

However, an advertisement sponsored by JP Morgan, the bank's US depository, had already revealed the story in the morning's European financial newspapers.

In any event, the real news from Bank Austria yesterday emerged from an impromptu press conference in Vienna given by the bank's chairman, Mr Rene Alfons Halden.

The bank's dividend for 1992 would be cut from 14 per cent to 12 per cent, Mr Halden disclosed. That news should not have been published until April 22, when the bank, which is the product of a merger between Zentralparkasse and Oesterreichische Länderbank in 1991, is to reveal its 1992 financial results.

Perhaps Mr Halden, a Zentralparkasse man, was trying to re-establish his com-

petitive standing as a bank spokesman. Last Thursday, Mr Gerhart Randa, the deputy chairman and a former Länderbank man, lifted the veil on another aspect of the bank's 1992 results, telling Reuters news agency that the operating profit was roughly unchanged at Sch3.3bn (\$265m).

Mr Randa, who still maintains his office and staff in a different building from that occupied by Mr Halden, also expounded on the bank's plans to take full control of Wiener Holding, the sprawling conglomerate of industries and services held by the city of Vienna. Some Sch2.1bn worth of new Bank Austria equity would be issued to the city in return for the stake, he revealed.

Surprisingly, these informal disclosures have had virtually no impact on the price of Bank Austria shares - which suggests that market insiders in Vienna already knew what was coming.

## Goodyear forecasts improved first quarter profits of \$83m

By Nikki Tait

GOODYEAR, the Ohio-based tyre manufacturer, yesterday forecast that its first-quarter profits after tax would be in the range of \$83m to \$89m.

This would represent a significant improvement on the \$66.1m (before extraordinary items) seen in the same period of 1992, and the \$90.1m loss reported in the first three months of 1991.

Mr Stanley Gault, chairman, told shareholders at Goodyear's annual meeting, that sales in the first three months

of 1993 would show an advance of about 2 per cent on the same quarter of 1992, when the restated figure was \$2.68m.

Goodyear shares were down 3 1/4% at \$74 1/4 yesterday morning. The meeting also voted to approve an increase in Goodyear's authorised common stock to 300m shares from 160m, Reuters reports.

The company had announced previously plans for a two-for-one stock split, which will be effected in the form of a 100 per cent stock dividend to shareholders.

Goodyear has reduced its

debt load to some \$1.95bn from \$3.62bn in 1990, much of it coming through the sale of assets.

Mr Gault said that the company's big asset sales were now behind it. He added that Goodyear's Celeron unit, which owns its All American crude oil pipeline system, became profitable in the fourth quarter of 1992. The unit lost \$52m in both 1990 and 1991.

It reduced that to a \$15m loss for all of 1992. But Mr Gault said that Goodyear planned to sell Celeron eventually.

## Canadian miner files for court protection

By Bernard Simon in Toronto

CURRAGH, the Canadian lead and zinc producer, yesterday filed for court protection from its creditors after failing to overcome a succession of financial and operating setbacks.

Mr Clifford Frame, chairman, said the move was "forced on us by our lack of liquidity". He said he was optimistic that Curragh would emerge from court supervision as a "healthy and successful" company.

Although Curragh plans to continue operations, it

announced late last week that weak metal prices had forced it to suspend production for two months at its principal mine, the Faro lead and zinc property in the Yukon. The St. Denis mine, also in the Yukon, in which Curragh has an 88 per cent stake, has been mothballed for three months.

Curragh's problems have been compounded by the closure of its Westray coal mine in Nova Scotia since an explosion there last May killed 26 miners.

The explosion has been the subject of intense media and political scrutiny. The police

are expected to announce within the next few weeks whether legal action will be taken against the mine management.

A writdown of the Westray assets contributed C\$16.6m (US\$13.1m) to Curragh's 1992 loss of C\$54.3m. Losses in 1991 totalled C\$88.3m.

The future of both the Yukon and Nova Scotia operations is clouded by their dependence on government funding. Other mining companies strongly criticised the financial help given to Curragh in the mid-1980s which enabled it to reopen the Faro mine.

Faro was owned by the debt-ridden Canadian energy group, Dome Petroleum.

Curragh is negotiating a C\$34m loan guarantee from the Yukon authorities to enable it to develop a new open pit on the Faro property. It has also been seeking an injection of equity.

As part of its efforts to raise cash, it sold a minority stake last year in Asturiana de Zinc, the Spanish metals producer.

Curragh said it expected the two Yukon mines to produce 432,000 tonnes of lead and zinc concentrates this year, against a forecast 704,000 tonnes.

## Shareholders in Marriott file suit

A GROUP of preferred shareholders of Marriott, the hotels and management services group, has filed a suit against the company and its management, Reuters reports from Washington.

The group says a reorganisation would take away "the vast bulk of Marriott's income-producing assets".

That, the plaintiffs said, would leave them with virtually all of the depressed property assets and the bulk of its large interest expense.

## Womenswear maker seeks protection from creditors

By Nikki Tait

LESLIE Fay, the US womenswear manufacturer which has been bedevilled by news of accounting irregularities recently, has filed for protection from its creditors under Chapter 11 of the US bankruptcy code.

Making the filing, Leslie Fay said that disclosure of the irregularities - which had boosted profits by inflating stocks and reducing the cost of goods sold - prompted its banks to "severely limit the

company's working capital facility, in both amount and duration".

As a result, the company would not be able to obtain the necessary "piece goods" from its suppliers for the autumn season.

However, in conjunction with the Chapter 11 filing, Leslie Fay is securing a new \$100m "debtor-in-possession" loan facility from Citibank.

It says it will be able to continue the flow of merchandise to its customers without delay or interruption.

## Ontario ends interest in Suncor

By Bernard Simon

THE PROVINCE of Ontario has ended a controversial and costly 12-year foray into the energy industry by unloading its remaining 14 per cent stake in Suncor, a large Canadian oil and gas producer.

Ontario Energy Corporation, a provincial agency, yesterday sold its 7.6m Suncor shares to two securities firms, RBC Dominion Securities and ScotiaMcLeod, at C\$55.25 (US\$20) per share. Total proceeds are about C\$190m.

The shares are being re-sold to institutional and retail investors.

Suncor's controlling shareholder is Sun Co, the Pennsylvania-based energy producer, with a 67.9 per cent stake.

Ontario's involvement with Suncor dates back to the energy crisis of the late 1970s and early 1980s, when the province paid about C\$650m for a 25 per cent stake.

As a net consumer of oil and gas, Ontario was eager to have a window on the production side of the business centred in western Canada.

But the subsequent fall in oil prices, coupled with mediocre management, have badly dented the value of Ontario's investment.

Suncor suffered a C\$228m loss last year, largely as the result of a C\$380m restructuring charge.

The province's eagerness to realise whatever value it can from Suncor has been compounded by a yawning budget deficit.

Ontario last year cut its stake in Suncor from 25 per cent to 14 per cent as part of the wider effort to contain the budget shortfall by selling assets.

Suncor is an integrated company, with businesses ranging from a tar-sands oil recovery plant in Alberta to a chain of filling stations.

## EGYPT

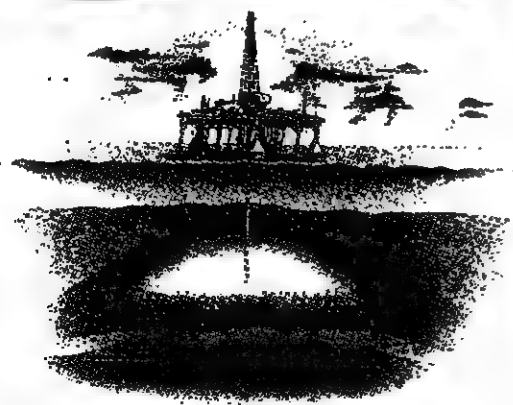
With the country's economic reforms continuing apace, on the 22nd April 1993 the Financial Times will be publishing a major new survey on Egypt.

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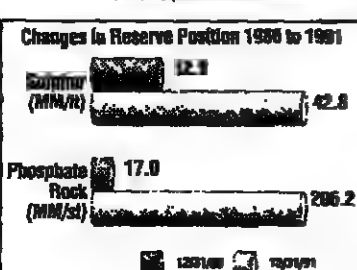
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## Han Yang Chemical Corporation

(Incorporated in the Republic of Korea with limited liability)

Notice to the holders of the outstanding

U.S. \$56,000,000

3 1/4 per cent Convertible Bonds due 2006

(the "Bonds")

of

Han Yang Chemical Corporation

(the "Company")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the dividend in shares with the ratio of 0.06 share per share was approved by the general meeting of shareholders held on 27th February, 1993. The record date for the dividend was 31st December, 1992. Pursuant to the provisions of the Trust Deed constituting the Bonds, the Conversion Price of the Bonds has been adjusted as a result of the dividend in shares from Won 14,012 to Won 13,650 effective from 1st January, 1993 (the day after the record date for the dividend).

6th April, 1993

Han Yang Chemical Corporation

£25,000,000

## C&amp;G Cheltenham &amp; Gloucester Building Society

Floating Rate Subordinated Notes due 2004

Notice is hereby given that for the six months interest period from April 2, 1993 to October 4, 1993 (185 days) the Notes will carry an interest rate of 6.3375%. The interest payable on the relevant interest payment date October 4, 1993 will be £3,212.16 per £100,000 denomination.

By: The Chase Manhattan Bank, N.A.  
London, Principal Paying Agent

CHASE

April 6, 1993

SWEDBANK

Sparbankernas Bank

U.S. \$125,000,000

Floating Rate Notes due 1993

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 6th October, 1993 has been fixed at 5.25% per annum. The interest accruing for such six month period will be U.S. \$13,343.75 per U.S. \$200,000 Note against presentation of Coupon Number 6.

Union Bank of Switzerland  
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2nd April, 1993

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## Synthelabo

1992 EARNINGS

The Board of Directors of SYNTHELABO, which met on March 31, 1993 under the chairmanship of Mr. Hervé GUERIN, was informed of the consolidated net income of the group and approved the financial statements of the parent company for 1992.

Consolidated financial statements		1992	1991
(in millions of French francs)			
Sales		6 323.2	5 453.4
Adjusted net income		470.2	298.5
(excluding capital gains and losses out of tax)			
Group share		456.2	184.2
Net Profit per share (in French francs)		47.2	40.5

Financial statements of the parent company SYNTHELABO (in millions of French francs)

	1992	1991
Operating Revenues	483.9	244.8
Net Income	380.3	268.5

Synthelabo almost doubled its sales in 1992 after consolidating the accounts of Delagrange and Delalande. Based on comparable data, i.e. by eliminating exchange variations and the impact of the inclusion and exclusion of companies that were acquired or disposed of in 1992, group sales have increased by 8% compared with 1991.

Synthelabo should achieve sales of over 7 billion French francs in 1993 chiefly due to the consolidation of Laboratoire Pharmaceutiques Goupil sales (1993 million French francs in 1992).

At the Annual General Meeting convened for June 16, 1993 at 10am - 31 avenue Paul Vaillant-Couturier in BAGNEUX (92200) FRANCE - the Board of Directors will propose a dividend of 14.8 French francs per share (compared with 13 French francs in 1991) corresponding to a total income of 51.75 French francs, taking into account the related tax credit. The dividend will be paid from June 25, 1993.

Information to Shareholders

The financial statements are available for consultation at the head office - 22 avenue Galilée, 92382 LE PLESSIS-ROBINSON, FRANCE - from June 1, 1993

## Kansallis-Osake-Pankki

(Incorporated with limited liability in the Republic of Finland)

¥5,000,000,000

6% per cent. Nikkei-Linked Notes Due 1993

(the "A Notes")

¥500,000,000

8% per cent. Nikkei-Linked Notes Due 1993

(the "B Notes")

In accordance with Condition 5(e)(1) of the Terms and Conditions of the above mentioned Notes, the Redemption Amount has been calculated as ¥ zero per ¥10,000,000 "A" Note and ¥ zero per ¥10,000,000 "B" Note, payable on 16th April, 1993.

Bankers Trust Company, London

Agent Bank

## Appointments Advertising

appears every  
Wednesday &  
Thursday  
Friday  
(International edition only)

## C&amp;G Cheltenham &amp; Gloucester Building Society

ECU 150,000,000

Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 5th July, 1993 has been fixed at 9.3467% per annum. The interest accruing for such three month period will be ECU 2,368.21 per ECU 100,000 Bearer Note, on 5th July, 1993, against presentation of Coupon No. 7.

Union Bank of Switzerland  
London Branch Agent Bank

1st April, 1993



## Japanese groups join Motorola venture

**By Alan Cane**

**A GROUP** of 20 Japanese companies have agreed to work with Motorola of the US to build a \$3.37bn global satellite communications system. The companies include Sony, Mitsubishi, Kyocera and DDI, a long-distance telecommunications carrier in which Sony and Kyocera have a stake.

The system, to be called Iridium, is designed to support a cellular telephone network capable of being accessed from anywhere in the world. It would offer voice, data, facsimile and positional services. Motorola has been attempting for more than two years to assemble an international consortium to own and operate the Iridium network.

The government of Brazil and United Communications of Thailand are reported to have signed letters of intent to take a stake in the consortium.

There are regulatory hurdles still to be cleared, however, and Motorola is in competition with five other US-based proposed systems, including Constellation Communications, Ellipsat, Loral Qualcomm and American Mobile Satellite.

## Disposals help Fermenta reduce losses to SKr115m

**By Christopher Brown-Humes  
in Stockholm**

**FERMENTA**, the Swedish pharmaceuticals group, reaped the benefits of a large-scale disposal programme when it announced sharply-reduced losses for 1992, vest-

The group also said it was selling its remaining property activities for SKr396m (\$51.4m), which leaves it with just two main divisions, Fermenta Animal Health and Fermenta

The company's loss after financial items fell to SKr115m in 1992, from SKr1.2bn a year earlier, when its deficit was aggravated by losses from its troubled financial subsidiary, Independent.

## Saudi bank sees 70% profit rise in first quarter

**SAUDI Investment Bank** (Saib), one of Saudi Arabia's smaller banks, posted a 70 per cent rise to SR15.36m (\$4.1m) in net profits for the first quarter of 1993, Reuter reports from Manama.

The bank reported net profits of SR9.05m in the first quarter of 1992. Mr Abdulaziz O'Hall, chairman, said the bank was well on the road to record profits in 1993.

Total assets rose to SR5.11bn from SR4.56bn. Operating income before provisions rose to SR20.36m from SR14.05m.

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, April 5, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	E STO	US \$	D-MARK	YEN (x 100)	COUNTRY	E STO	US \$	D-MARK	YEN (x 100)	COUNTRY	E STO	US \$	D-MARK	YEN (x 100)
Algeria	(M) 99.26	46.2591	49.8996	57.4395	Algeria	(M) 12.8486	1,877.00	5.31 16	7,644.22	Algeria	(M) 99.26	46.2591	49.8996	57.4395
Angola	(L) 189.870	109.711	88.7415	10.9962	Angola	(L) 22.875	8,500.00	1.4062	1,406.20	Angola	(L) 189.870	109.711	88.7415	10.9962
Antigua	(M) 24.3601	22.5004	14.1545	14.7659	Antigua	(M) 880.00	885.141	368.852	515.138	Antigua	(M) 24.3601	22.5004	14.1545	14.7659
Armenia	(F) 6.2525	5.6123	3.2913	1.7693	Armenia	(F) 1,411.17	1,411.17	1,411.17	1,411.17	Armenia	(F) 6.2525	5.6123	3.2913	1.7693
Australia	(F) 173.15	138.34	138.34	138.34	Australia	(F) 331.875	331.875	331.875	331.875	Australia	(F) 173.15	138.34	138.34	138.34
Austria	(M) 10995.41	876.48	459.80	8836.24	Austria	(M) 9,227.9	9,227.9	9,227.9	9,227.9	Austria	(M) 10995.41	876.48	459.80	8836.24
Azerbaijan	(L) 4.0589	3.9589	1.8872	2.7389	Azerbaijan	(L) 4.0589	4.0589	4.0589	4.0589	Azerbaijan	(L) 4.0589	3.9589	1.8872	2.7389
Bahrain	(L) 1.6170	1.6170	1.6170	1.6170	Bahrain	(L) 1.6170	1.6170	1.6170	1.6170	Bahrain	(L) 1.6170	1.6170	1.6170	1.6170
Bangladesh	(L) 2.1865	1.2995	1.1108	1.0718	Bangladesh	(L) 2.1865	2.1865	2.1865	2.1865	Bangladesh	(L) 2.1865	1.2995	1.1108	1.0718
Barbados	(L) 1.1663	1.1663	1.1663	1.1663	Barbados	(L) 1.1663	1.1663	1.1663	1.1663	Barbados	(L) 1.1663	1.1663	1.1663	1.1663
Belarus	(M) 17.046	11.2994	7.9218	6.9995	Belarus	(M) 17.046	17.046	17.046	17.046	Belarus	(M) 17.046	11.2994	7.9218	6.9995
Belize	(M) 224.25	147.438	90.3789	129.811	Belize	(M) 224.25	224.25	224.25	224.25	Belize	(M) 224.25	147.438	90.3789	129.811
Bermuda	(L) 1.6169	1.6169	1.6169	1.6169	Bermuda	(L) 1.6169	1.6169	1.6169	1.6169	Bermuda	(L) 1.6169	1.6169	1.6169	1.6169
Bhutan	(L) 5.2718	3.5738	3.5299	3.5299	Bhutan	(L) 5.2718	5.2718	5.2718	5.2718	Bhutan	(L) 5.2718	3.5738	3.5299	3.5299
Bolivia	(F) 16.4291	16.4291	16.4291	16.4291	Bolivia	(F) 16.4291	16.4291	16.4291	16.4291	Bolivia	(F) 16.4291	16.4291	16.4291	16.4291
Bosnia and Herzegovina	(L) 30.611	2.0659	2.2998	1.7499	Bosnia and Herzegovina	(L) 30.611	30.611	30.611	30.611	Bosnia and Herzegovina	(L) 30.611	2.0659	2.2998	1.7499
Botswana	(L) 90.68	20.6119	10.6119	10.6119	Botswana	(L) 90.68	90.68	90.68	90.68	Botswana	(L) 90.68	20.6119	10.6119	10.6119
Brazil	(L) 9.0484	1.8847	1.2494	1.7592	Brazil	(L) 9.0484	9.0484	9.0484	9.0484	Brazil	(L) 9.0484	1.8847	1.2494	1.7592
Bulgaria	(F) 41.153	20.451	16.557	888.261	Bulgaria	(F) 41.153	41.153	41.153	41.153	Bulgaria	(F) 41.153	20.451	16.557	888.261
Burkina Faso	(L) 47.7785	31.0189	18.4351	27.5714	Burkina Faso	(L) 47.7785	47.7785	47.7785	47.7785	Burkina Faso	(L) 47.7785	31.0189	18.4351	27.5714
Burundi	(L) 8.2538	8.2538	8.2538	8.2538	Burundi	(L) 8.2538	8.2538	8.2538	8.2538	Burundi	(L) 8.2538	8.2538	8.2538	8.2538
Cambodia	(M) 3.2551	2.3372	1.4569	3.2551	Cambodia	(M) 3.2551	3.2551	3.2551	3.2551	Cambodia	(M) 3.2551	2.3372	1.4569	3.2551
Cameroon	(L) 2.6955	2.6955	2.6955	2.6955	Cameroon	(L) 2.6955	2.6955	2.6955	2.6955	Cameroon	(L) 2.6955	2.6955	2.6955	2.6955
Canada	(F) 11.613	70.0181	37.971	3336.98	Canada	(F) 11.613	70.0181	37.971	3336.98	Canada	(F) 11.613	70.0181	37.971	3336.98
Chad	(L) 11.613	70.0181	37.971	3336.98	Chad	(L) 11.613	70.0181	37.971	3336.98	Chad	(L) 11.613	70.0181	37.971	3336.98
Chile	(M) 11.613	70.0181	37.971	3336.98	Chile	(M) 11.613	70.0181	37.971	3336.98	Chile	(M) 11.613	70.0181	37.971	3336.98
China	(F) 11.613	70.0181	37.971	3336.98	China	(F) 11.613	70.0181	37.971	3336.98	China	(F) 11.613	70.0181	37.971	3336.98
Colombia	(L) 11.613	70.0181	37.971	3336.98	Colombia	(L) 11.613	70.0181	37.971	3336.98	Colombia	(L) 11.613	70.0181	37.971	3336.98
Costa Rica	(L) 11.613	70.0181	37.971	3336.98	Costa Rica	(L) 11.613	70.0181	37.971	3336.98	Costa Rica	(L) 11.613	70.0181	37.971	3336.98
Croatia	(L) 11.613	70.0181	37.971	3336.98	Croatia	(L) 11.613	70.0181	37.971	3336.98	Croatia	(L) 11.613	70.0181	37.971	3336.98
Cuba	(L) 11.613	70.0181	37.971	3336.98	Cuba	(L) 11.613	70.0181	37.971	3336.98	Cuba	(L) 11.613	70.0181	37.971	3336.98
Cyprus	(L) 11.613	70.0181	37.971	3336.98	Cyprus	(L) 11.613	70.0181	37.971	3336.98	Cyprus	(L) 11.613	70.0181	37.971	3336.98
Czech Republic	(L) 11.613	70.0181	37.971	3336.98	Czech Republic	(L) 11.613	70.0181	37.971	3336.98	Czech Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
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Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
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Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
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Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98
Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0181	37.971	3336.98	Dominican Republic	(L) 11.613	70.0		

Special Drawing Rights April 2, 1993 United Kingdom £0.918021 United States \$1.40751 Germany D Mark 1.336336 Japan Yen160.458  
European Currency Unit Rates April 5, 1993 United Kingdom £0.796915 United States \$1.21219 Germany D Mark 1.93689 Japan Yen137.917

Abbreviations: (a) Free rate; (b) Barter rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Importation rate; (j) Exportation rate; (k) Exchange rate; (l) Official rate; (m) Unilateral trade; (n) Convertible rate; (o) Parallel rate; (p) Begging rate; (q) Luxury goods; (r) Market rate; (s) Public transaction rate; (t) Official rate; (u) Unilateral trade; (v) Convertible rate; (w) Parallel rate; (x) Selling rate; (y) Tourist rate; (z) Commodity flow against the US Dollar; (A) Floating rate; (B) CIP applies to states in the Russian Zone.  
Source: Data supplied by bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.  
Monday April 5, 1982

[illegible]

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 **BANCO  
di NAPOLI S.p.A.**

177, Via Toledo - Naples, Italy

**NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Notice is hereby given that the Annual General Meeting of the Company will be held at the Company's registered office at Via Toledo, 177, in Naples, Italy, on Friday 30 April, 1993, at 10 a.m. or, alternatively, should the need arise to make a second call, on Monday 3 May, 1993, same time and place:

- 1) To approve the financial statements for the year 1992 and the report of the Board of Directors;
- 2) To renew the authorization to draw from the fund of 70 bn Italian Lire in order to purchase the Company's own shares.

The rights to attend and vote in the General Meeting are governed by the Company's By-Laws and by the legislation currently in force.


The right to attend the Meeting is reserved to those shareholders holding ordinary shares of the Company who, at least five days before the date set for the Meeting, have deposited the shares with Banco di Napoli S.p.A.'s branches or with one of the following designated institutions:

Banca di Roma - Banca Nazionale del Lavoro - Banca Commerciale Italiana - Monte dei Paschi di Siena - Istituto Bancario San Paolo di Torino - Credito Italiano - Banco di Sicilia - Banco di Sardegna - Monte Titoli S.p.A. (for the shares it administers).

The financial statements as well as the reports of the Board of Directors will be made available to shareholders at the Company's registered office 15 days before the scheduled date of the Meeting.

Pursuant to art. 2, provision 4 of the relevant Prospectus, the exercise of the conversion right of Banco di Napoli's warrants 92/95 is suspended from 23rd March to 18th May 1993 inclusive.

On Behalf of the Board of Directors  
The Chairman Luigi Coccoli



**GOLD MINING COMPANIES' ANNUAL GENERAL MEETINGS**

The Annual General Meetings of the undermentioned companies (all of which are incorporated in the Republic of South Africa) will be held in the board room, ground floor, Union Corporation Building, 74-78 Marshall Street, Johannesburg, on the date and times mentioned below:

<b>Name of Company</b>	<b>Date and Times of Meetings</b>
St. Helena Gold Mines Limited Registration No: 05/2074306	Wednesday 28 April 1993 at 14:00
West Rand Consolidated Mines Limited Registration No: 01/0197806	Wednesday 28 April 1993 at 14:15
The Grosvicci Proprietary Mines Limited Registration No: 01/0308806	Wednesday 28 April 1993 at 14:20
Stillfontein Gold Mining Company Limited Registration No: 05/3341206	Wednesday 28 April 1993 at 14:30

Holders of West Rand Consolidated Mines Limited Share Warrants to Bearer may obtain copies of the annual report, which contains pertinent information regarding the conditionally granted authority allowing the company's listings on the London Stock Exchange and the Paris Bourse to continue, from 30 Ely Place, London EC1N 6JA.

30 Ely Place  
London EC1N 6JA

per pro. Gencor (U.K.) Limited  
London Secretaries  
L.J. Baines

6 April 1993

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## INTERNATIONAL CAPITAL MARKETS

## Flood of gilts leads to a bout of indigestion

By Sara Webb in London and Laurie Morse in Chicago

UK GOVERNMENT bonds fell by up to 1/2 of a point at the long end as the recent heavy supply weighed on the gilt market.

After last Wednesday's £3bn auction of 20-year stock, the Bank of England issued £600m of 10-year gilts, and on Friday it announced a further £650m of conventional and index-linked stock for sale.

## GOVERNMENT BONDS

Dealers said a call for £1.8bn on partly-paid stock yesterday provided an additional burden for the market.

"The market is coming to terms with the fact that about £5bn of calls fall due in the next six weeks," said Mr John Kendall, economist at Baring Sterling Bonds.

Mr John Sheppard, economist at S.G. Warburg Securities, said: "The auction was well-absorbed, but the new tranches came a bit too soon - there's been some consolidation and now there's some indigestion."

The two new part stocks announced on Friday include £250m of the 7% per cent gilt due 1998 and £150m of 3% per cent index-linked stock due 2030.

## FT FIXED INTEREST INDICES

	April 5	April 2	April 1	March 31	Year ago	High	Low
Gilt 100 Government Securities 15/10/93	95.94	97.10	96.85	96.06	95.36	98.04	92.08
Fixed Interest	112.83	112.73	112.67	111.85	98.41	113.63	108.67

State 100 Government Securities 15/10/93: Fixed Interest 112.83 (1992), low 98.41 (1991/92). Fixed Interest high since completion: 113.63 (1992/93), low 108.67 (1991/92).

## GILT EDGED ACTIVITY

	April 2	April 1	March 31	March 30	March 29
£50m Bidder	102.6	102.5	102.5	102.4	102.3
5-day average	122.3	122.5	122.5	122.4	121.0

\* See activity indices released 12/24

Dealers reported some buying of both stocks, although neither part stock was exhausted.

The 7% per cent gilt due 1998 fell 1/2 of a point to 102 1/2, by late afternoon while the 3% per cent gilt due 2030 dropped 1/2 to 106 1/2.

Separately, figures released yesterday by the Bank showed that foreigners bought £1.03bn of gilts in February, following two months of net selling of UK government debt.

■ GERMAN government bonds ended firmer, ignoring comments from the Bundesbank president that short-term interest rates were unlikely to be cut imminently.

Mr Helmut Schlesinger was quoted in the Frankfurter Allgemeine Zeitung as saying that the Bundesbank should not undertake too rapid an easing of key interest rates.

Bund futures opened at 95.28 and traded in a range of 95.34

to 95.49, ending the day at 95.34.

■ US TREASURY prices were flat in lacklustre early trading, with traders awaiting inflation data to be released later in the week.

The recent rise in long bond yields has focused attention on inflation risks. The US will report its index of March producer prices Thursday, and Friday, which is a market holiday, data on March US consumer prices will be reported.

Traders expect both figures to be up 0.3 of a percentage point. Among shorter-dated maturities, the two-year note was unchanged at 99 1/2 to yield 3.97 per cent, and the three-month Treasury bill was also unchanged at 2.92 yielding 2.92 per cent.

The Federal Reserve executed three-day systems repurchase agreements, injecting liquidity into the banking system. The Fed funds rate was

## BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA	10.000	10/92	113.8137	-0.660	7.91	7.85	7.91
BELGIUM	9.000	09/93	110.4050	-0.070	7.48	7.56	7.54
CANADA	7.250	09/93	97.1000	-0.550	7.58	7.53	7.51
DENMARK	8.000	05/93	100.0000	-	8.00	8.04	8.06
FRANCE	ETAN	05/98	104.1807	+0.038	6.99	6.97	7.15
	OAT	04/93	108.8500	-0.090	7.27	7.29	7.20
GERMANY	7.125	12/92	102.8450	+0.040	6.71	6.82	6.90
ITALY	11.500	03/93	91.0900	-0.055	13.861	13.05	12.76
JAPAN	No 119	06/99	102.8037	-0.375	4.23	4.38	3.71
	No 145	03/92	106.0054	-0.398	4.27	4.28	3.51
NETHERLANDS	7.000	02/93	101.9400	-0.100	6.72	6.69	6.46
SPAIN	10.300	06/92	92.4434	-0.180	11.47	11.49	11.29
UK GILTS							
	6.250	02/98	102.04	-0.22	6.74	6.73	6.58
	8.000	09/93	101.25	-0.22	7.72	7.78	7.82
	9.000	10/98	108.25	-1.732	6.22	6.33	6.06
US TREASURY							
	6.250	02/93	100.24	-0.52	6.15	6.05	5.80
	7.125	02/93	100.28	-0.52	7.08	6.92	6.88
ECU (French Govt)	8.000	04/93	102.1000	-0.110	7.08	7.08	7.44

London closing, "Wholesale New York morning session"

Yields: Local market standard 7 (Gilt annual yield including withholding tax at 12.5 per cent payable by non-residents)

Prices: US, UK in \$/100, others in decimal

Technical Analysis: FTSE 100

3% per cent shortly after the intervention. Traders said the Fed requested fixed collateral for the repos, a factor that is tied to the fact the US

is bumping up its Congressionally-mandated debt ceiling.

A Republican filibuster in the US Senate over President Bill Clinton's economic stimulus package continues to block action to raise the debt ceiling. As a result, today's weekly sale of \$2.4 bn in 13 and 26-week Treasury bills was postponed, and will not be rescheduled until the debt ceiling issue is resolved.

■ JAPANESE government bond prices fell back, taking their cue from the continued rally in the stock market and uncertainty over the extent to which the government's supplementary budget would be funded by bond issuance.

The futures contract opened at 108.31, down from Friday's close of 108.53, and fell to a low of 107.97 before ending at 108.16 in Tokyo.

The bond market remained weak despite the yen's continued strength against the US dollar. The yen/dollar rate firmed to a new high of 113.30 before moving back to 113.75.

## Investor base raised by installing screens

By Tracy Corrigan

A NUMBER of Europe's electronic derivatives exchanges are hoping to increase their market share and expand their investor base by installing screens overseas.

The board of governors of the Deutsche Terminbörse (DTB), the German futures and options exchange, voted on Friday to allow foreign institutions without a German subsidiary to join the DTB. The decision still has to be approved by Mr Ernst Welteke, the Hesse economics minister. Last year, he approved plans to allow DTB members' branches outside Germany to install screens.

Extra clearing, a Dutch clearing firm with DTB membership, is expected to put terminals on line in Amsterdam during the first half of April in the first such link.

Meanwhile, Meff, the Spanish futures exchange, last week announced it had applied for status as a designated and recognised investment exchange in the UK. This would allow the exchange to set up Meff trading screens in the UK and so to gain access to London's international market place.

The Spanish exchange is also holding discussions with the London Clearing House (LCH), which provides clearing for all London's derivative markets. Meff hopes to be able to offer its members the alternative of clearing through LCH, which would allow them to offset their exposure on Meff contracts against other contracts cleared by LCH.

The exchange is also lobbying Spanish authorities to allow non-resident firms to be members of the exchange to set up Meff trading screens in the UK and so to gain access to London's international market place.

Mr John Langston, Isma secretary-general, said a shorter settlement period would help reduce systemic risk by cutting the length of time market-users were at risk from default by a counterparty. Isma plans to raise the matter at its annual meeting in Copenhagen in May.

Three-day settlement was recommended by the Group of 30 four years ago as one of the standards for national settlement systems.

## Prague exchange to open today with unlisted market

By Patrick Blum in Prague

THE PRAGUE stock exchange (PSE) will join the group of emerging eastern European markets when it begins trading today with a small number of unlisted securities.

Initial plans to open with a listed market have been abandoned because of technical difficulties, but work on listing arrangements continues.

Mr Jiri Franc, PSE general secretary, said: "The listing process is under way, but it is very hard to choose companies suitable for listing. The whole economy is being restructured and some companies, which six months ago showed good results, may have big problems in the future. We want to offer quality."

By starting with an unlisted market the PSE hopes to establish itself before the opening of a rival, known as the RM system. Run by Mr Dusan Triska, one of architects of mass privatisation while at the finance ministry, it is designed to operate as a nationwide, cheap electronic over-the-counter market.

The backers of the RM system hoped to establish it by trading in shares from last year's mass voucher privatisation, which involved about 1,500 companies and in which 8.5m Czech and Slovak investors participated.

The distribution of these shares was due to start on March 29, but it has been postponed indefinitely after a row between the Czech Republic and Slovakia over the division of assets from former Czechoslovakia. The Czech government said it would not transfer shares in Czech companies to Slovak investors unless Slovakia agreed to settle.

Mr Franc, of the PSE, is cautiously optimistic on prospects. "It will take time for a market environment to develop," he said. Trading will begin with eight securities, including government bonds, and he hopes that, by the end of the year, there will be about 15 fully-listed securities.

The exchange has 30 staff, small dealing desks for 32 dealers divided between two floors, and 53 registered brokers. Initially, there will be a single daily price fixing.

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exchange  
today with  
market

Shares dip 11% as analysts question acquisition provisions

## Morgan Crucible ahead 27%

By Richard Gourlay

SHARES IN Morgan Crucible, the materials technology group, yesterday appeared to be the first casualty of possible revisions to the rules on acquisition accounting.

The share price fell more than 11 per cent to 289p after the group released results for the year to January 3 1993 which led analysts to reappraise the group's repeated use of acquisition provisions.

The Accounting Standards Board last week issued a discussion draft that suggested the cost of incorporating acquisitions should be taken directly in the profit and loss account and not via provisions set up at the time of acquisition that only affect the balance sheet.

Morgan Crucible was reported

ing pre-tax profits of £61.3m, a 27 per cent increase over 1991 results adjusted down from £81m to bring them into line with new FRS 3 accounting rules.

On this new basis, diluted earnings per share were up 38 per cent at 18.7p. Underlying earnings per share rose from 17.7p to 19p.

The group further surprised analysts by setting up new provisions for acquisitions in its carbon division that took place nearly three years ago. Mr Bruce Farmer, chief executive, said delay in starting the reorganisation had resulted from a Federal Trade Commission study of Morgan Crucible's market share.

The \$5m cost of reorganising this division was now being included in £8.8m of new provi-

sions for prior year acquisitions. However, the net increase was £4.8m after the group wrote back £4m of provisions no longer required.

Mr Graham Swetman, finance director, said the share price fall had been overdone. Analysts had paid too much attention to the provisions and not enough to the results of a group that had done well compared with its competitors in a difficult recession, he said.

Apart from the question of provisions, the actual results were broadly in line with expectations. The rise in gearing to 67 per cent was anticipated following the departure of sterling from the EMS last September.

Interest during the year was 7.6 times covered. The total dividend is maintained at 12.6p

with a proposed final of 6.85p. Operating profit margins fell to 10 per cent for the group as a whole. The carbon and thermal ceramics divisions both suffered lower operating profits. Carbon sales increased from £112m to £125m but profits fell from £17.2m to £15.6m. Thermal profits fell from £23.1m to £20.8m on sales of £296m.

Specialty materials and technologies profits rose from £18.4m to £19.2m on sales of £190m, while technical ceramics improved from £11.4m to £15.7m on sales of £157m.

Mr Farmer said the best prospects for growth were in North America, south-east Asia, the Pacific rim and Australia, where the group has about 50 per cent of its sales.

See Lex

## Buy-out at Sears' Galliford division

By Roland Ruddy

SEARS, the speciality retailer, yesterday announced the management buy-out of its Galliford Housebuilding division for £27.1m.

The disposal will give rise to an extraordinary loss of £26m, which is the difference between the purchase price and net assets. This will be included in Sears results for the year ended January 31.

Mr Liam Strong, chief executive, said: "The disposal of Galliford completes the exit programme from housebuilding activities that Sears announced in 1990 and enables us to concentrate on our retail and home shopping markets."

The buy-out, financed by Schroder Ventures, has already paid £24.2m cash with the balance due in October. This will amount to £290,000 cash and £2.4m in tax losses to be transferred from the subsidiary to Sears.

Galliford, which has nothing to do with Galliford plc, the northern construction company, has been loss-making for three years.

However, its losses before interest have fallen from about £16m three years ago to £7.5m on sales of £48.8m in the last financial year.

It has raised £10m of equity, primarily from Schroder Ventures and its affiliated funds, and £16m of debt from the Midland Bank.

## Decline in tobacco profits leaves T&S 6% lower

By Jane Fuller

A DROP in profits from tobacco retailing and from shop disposals lay behind a fall of more than 6 per cent at T&S Stores last year.

The pre-tax figure declined from £13.4m to £12.5m on sales up 10 per cent at £245.3m (£214.2m).

Operating profits were ahead to £12.6m (£12.4m), but lower profits from disposals, reduced interest income and a charge for reorganisation hit the pre-tax line.

Mr Kevin Threlfall, chairman and chief executive, said it had been a frustrating year. "A number of growth opportunities came to nothing as either price, quality or a combination of both proved to be a stumbling block."

The group remains keen to expand its convenience store network.

It has admitted that it looked at the Circle K chain, recently sold to Watson & Philip for £21m.

The Dillons convenience

stores increased their profits to £3.89m (£3.12m) on sales of £68m (£52.1m). Eleven stores were opened, mainly in the second half.

However, the advance in convenience stores was undone by a fall in profits from £3.78m to £3.16m, on sales of £175.3m (£165.4m) at Supercenters. Margins were squeezed by increased competition.

To try to improve the business, the discount formula was being rolled out from cigarettes to magazines and greeting cards.

At the Dillons newsagents, profits were flat at £5.59m (£5.57m) on sales of £102.1m (£96.7m).

T&S said £1m of annual costs had been taken out of the business. At the year-end the group's overdraft was £9.5m, compared with £12m.

The company said this was seasonal and it often had up to £10m cash in the bank.

Earnings per share slipped to 15.17p (15.71p).

The final dividend goes up to 3.5p to give a total of 5.9p (5.5p).

**COMMENT**

T&S has some defensive virtues, but in a weak market these have not been sufficient to keep earnings moving ahead. Growth is seen as coming mainly from acquisitions, but it is a long time since the big leap forward made in spring 1989 with the acquisition of Preedy and Dillons from Next. Analysts are not only holding their breath waiting for the next deal - and the anticipated issue of paper - but also on the outcome of the discount magazines experiment. Previous attempts have fallen foul of the wholesalers. T&S believes it has the muscle to pull it off and that scrutiny of the trade by the MMC will keep the wholesalers on their best behaviour. Because of a sharply rising tax charge, the group would have to sprint this year to stay level on earnings per share. Profits are forecast to rise to more than £13m, giving a prospective p/e of 12-13 on yesterday's close of 173p. At this discount to the market, it is well worth holding.

## Rentokil chief gets 20% pay rise

By Angus Foster

RENTOKIL, the environmental and property services company, awarded Mr Clive Thompson, chief executive, a 20 per cent pay rise last year, taking his emoluments from £591,000 to £707,000.

The increase compared to a 29 per cent rise in Rentokil's pre-tax profits and earnings per share in the year to December 31.

Mr Thompson's emoluments have increased by 2.64 times since 1989, when he earned £267,000. In the same period, Rentokil's profits and earnings have increased by just under twice. According to Rentokil's annual report about half Mr Thompson's emoluments last year were incentive payments in line with a plan introduced in 1988.

Kennedy Financial Services, a company owned by Mr David Newbigin, Rentokil's chairman, was paid £250,000 in compensation for Mr Newbigin's services. Kennedy also received £18,000 as fees for providing office facilities for Rentokil.

## L and M rises 10% to £23m

By John Authers

LONDON and Manchester, the life assurance group, yesterday announced a 10 per cent rise in 1992 pre-tax profits to £23.4m, slightly ahead of analysts' predictions.

Net insurance earnings were up 22 per cent at £19.3m, but the weak state of the residential property market inflicted losses on the group's mortgage and residential estate agency subsidiaries.

A recommended final dividend of 9.8p makes a 14.25p (13.572p) total.

Earnings per share emerged at 14.3p (12.87p).

After tax of £23.2m (£25.75m) and minorities net profits emerged at £17.1m (£15.4m before extraordinary items).

Profits of the life business included a proportion of the transfer made last year of the assumed long term rate of return on the shareholders' share of the life fund assets.

L and M took the opportunity that this transfer presented to make heavy cuts in the annual or reversionary bonuses it guarantees to policyholders. This increases the company's strength, and allows greater investment flexibility, but reduces guaranteed

returns for policyholders.

The group's estate agency incurred a net loss of £3.5m (£2.3m), and the number of houses sold fell from 5,900 to 5,200. Its mortgage business, hit by the same problems, made a trading loss of £3.7m (£266,000 profit), having incurred bad debt provisions of £9.4m.

Mr John Thomson, chairman, said the economic climate had badly affected these non-insurance businesses, but added: "There is now clear evidence that these businesses are moving out of recession and the prospects for 1993 look promising."

## Butte sells last operating asset

By Kenneth Gooding, Mining Correspondent

BUTTE MINING has sold its last operating asset, a zirconium business based in Stoke-on-Trent, for £100,000 cash.

When the deal is completed Butte effectively will be a "lithium" company. It is claiming damages of at least £325m (£226m) in the US against more than 70 former directors, advisers and investors. This might take some years to resolve.

Butte said yesterday its zirconium subsidiary had sold the zirconium opacifier business and related assets to PE Hines, a privately-owned subsidiary in the ceramics industry.

Zirconium retained the freehold of its property and Hines had taken a three-year lease and an option to acquire the freehold at any time during the

lease period for the lower of £100,000 and an independent valuation.

Mr David Lloyd Jacob, chairman of Butte, said Zirconium had incurred losses for five years and, while new management installed at the beginning of last year had increased sales and reduced losses, "significant new investment would have been needed to obtain even a modest profit."

Farepak yesterday expanded its food hamper business with the £8.5m purchase of Littlewoods Hampers from the mail order and retailing group.

Similar to Farepak's core activities, Littlewoods Hampers sells food, drinks and non-food Christmas items through local agents. Combining the two businesses will significantly cut costs and improve profits in the 1993-94 year, Farepak said.

The agreement also gives Farepak access to Littlewoods' mail order lists and databases for 20 years.

Farepak will pay £4m initially and further payments of £900,000 are due annually for five years.

Tangible assets acquired have a book value of £140,000. Pre-tax profits were £260,000 on turnover of £5.2m for the 1992 year.

## Farepak makes £8.5m purchase

By Nathalie Lemoine

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The agreement also gives Farepak access to Littlewoods' mail order lists and databases for 20 years.

Farepak will pay £4m initially and further payments of £900,000 are due annually for five years.

Tangible assets acquired have a book value of £140,000. Pre-tax profits were £260,000 on turnover of £5.2m for the 1992 year.

## Farmers who made a pig's ear over their book-keeping

By Andrew Jack

A GROUP of Cumbrian farmers and auctioneers has been forced to send out a circular to shareholders after it made a pig's ear of its 1992 accounts.

Following discussions with the Financial Reporting Review Panel, the UK's accounting standards watchdog, Penrith Farmers' & Kidd's has distributed a supplementary statement to the accounts.

NT O'Reilly & Partners, the company's auditors which has had to issue a new audit report with the statement, said: "In our opinion it is now clear that the original financial statements on which we reported... failed to comply with the requirements of the Companies Act 1985."

In a covering letter to the 500 shareholders dated April 1, Mr David Hibbert, company secretary, says the new statement revises a number of differences between the 1991 accounts and the 1992 comparative figures shown in the 1992 accounts.

The Review Panel ordered the distribution of the supplementary note - the first time it has taken such action. Mr Hibbert estimated the cost would be £200,000.

"This has pulled us up short and made us look more closely at the accounts," he said yesterday.

day. "But the changes were just cosmetic. They did not affect the profit or balance sheet totals."

The errors were first highlighted at a stormy annual meeting last autumn, which led to a complaint to the review panel by Coss & Mounsey, one of the shareholders.

The supplementary note shows that turnover, administrative charges, income from investment, interest payable and other operating income for 1991 were all shown differently in the 1992 account than in the previous year's report.

A freehold property disposal had been incorrectly classified as a leasehold disposal in the 1991 accounts, an amount of advance corporation tax has been re-credited to a different category, and directors' remuneration included benefits which were not shown in the 1991 accounts. The cash flow statement also had a line item which was incorrectly labelled.

The Review Panel, the company and its auditors failed to pick up at least one other error in the 1991 accounts: a tax rebate of £3,712 is added to the pre-tax loss of £59,149 to give a post-tax loss of £103,149.

Mr Joseph Rain, chairman, could not come to the phone yesterday. A secretary said he was out "weighing sheep".

### COMPANY NEWS IN BRIEF

AAE HOLDINGS has bought the Direct Services Organisation of Warwick District Council (Warwick Services). This business operates a portfolio of nine contracts for the council; providing services for maintenance, refuse collection, cleansing, highways and building maintenance.

BAILLIE GIFFORD Technology: Net asset value at February 28 year end was 7.5p per share (11.5p); net loss £38,615 (earnings £39,786) equal to 0.31p per share (0.36p). No dividend (0.2p).

BRITISH POLYTHENE Industries' recent rights issue of 5.22m ordinary shares was taken up as to 5.03m shares (£64 per cent).

BRITISH VITA, through its Tramicco subsidiary, has paid £8.2m to acquire Pulliflex, based near Tours, France. Pulliflex, with sales of £15m, is a converter of rubber and cellular plastics - mainly for the French automotive and general industries.

DATAPO COMPUTERS has bought ABS Computers and its associated software house Shortlands Computing Services, from Trafalgar House in a deal which values the two Sussex-based computer companies at about £2m.

DOBSON PARE Industries has sold Revere Aerospace for £5m to Amatek. The aircraft weighing kits business of Revere Aerospace is being retained and is to be integrated with the group's lead cell business Revere Transducers in California.

FLEMING EMERGING Markets Investment Trust has raised £50m, as planned, via a placing and offer for subscription. Dealings in the new shares are expected to start on April 6.

GRAT PORTLAND Estates has paid £12.7m for three properties in Milton Keynes, West Bromwich and Bradford, being the entire holdings of two private companies, Thorntop and its associate, Oakport Properties. Consideration to be met as to £482,500 in cash and issue of 8.5m new ordinary GPE shares.

HI-TEC SPORTS has agreed final performance related earn-out payment of the Colfax subsidiary at £15.1m (£1.5m) and brings total consideration to £7.7m. Half of final payment will be in cash and rest met by issue of 1.5m shares.

NORTH WEST Water has acquired two companies dedicated to the research and development of membrane technology. The companies are Ceramash in Oxfordshire and ICI's membrane business in Cheshire. The consideration was £4m cash.

NORTHERN FOODS has issued 291,121 new ordinary shares to fund the initial consideration for the acquisition of Garratts of Hertford.

VICKERS has received acceptance of its rights issue in respect of £6.5m new ordinary shares (92.6 per cent). Subscribers have been found for the balance at a premium of 31.75p.

WPP's rights issue of 195.4m new ordinary shares was taken up as to 155.66m shares, 79.7 per cent of the issue. Panmure Gordon has placed the balance of 39.74m shares at 60p, which are believed to be held by overseas investors who are unable to subscribe for regulatory reasons.

## ANNOUNCEMENT REPUBLIC OF TURKEY PRIME MINISTRY PUBLIC PARTICIPATION ADMINISTRATION

The Republic of Turkey, Prime Ministry Public Participation Administration (PPA) offers for block sale the shares of the following company by negotiation method:

Company Name (Industry)	Share Capital of the Company (TL)	Percentage of Shares Subject For Sale	Nominal Value of Shares (TL)	Amount of Bid Bond (TL)
KÜMAŞ Kâğıtsız Manyastan İşletmeleri A.Ş. (magnesium extraction and processing)	8,000,000,000	99.28 %	7,942,253,400	10,000,000,000

- Information memorandum relating to the sale of the above company can be obtained from the Public Participation Administration for a fee of TL 250,000 (Two hundred and fifty thousand Turkish Liras).
- The sale of the shares of the stated company will be realized by obtaining the bids and performing negotiations with the bidders.
- Tender offers shall be given in US Dollars. In the event of the offer is made on installment basis in US Dollars, the portion related to installments will be discounted by applying LIBOR+2 compound interest principles. The down payment and installment payments, denominated in US Dollars, shall be made in Turkish Liras by using the Central Bank's foreign exchange selling rate prevailing as of the payment date.
- Investors are required to submit an irrevocable unconditional bid bond payable on first demand with a maturity period of at least 6 months, amounting to TL 10,000,000,000 to Public Participation Administration's Office (Hüseyin Rahmi Gürpınar Sokak, No: 2 Çankaya, 06680 ANKARA-TURKEY) no later than May 21, 1993 Friday by 6.00 PM Turkish mean time.
- The tender offer, together with the receipt given when the bid bond has been submitted to PPA, shall be made in a sealed envelope on which the name of the company and the note of "CONFIDENTIAL" should be indicated.
- The following documents must be attached to the tender offer in the event:  
a) the bidder is a real person, the certificate of specimen signature,  
b) the bidding is made by a proxy, the power of attorney particularly authorizing to bid in this tender on behalf of the bidder together with this certificate of specimen signature of the attorney,  
c) the bidder is a legal person, a certificate of power proving that the persons acting on behalf of the legal person have the authority to represent and obligate the legal person together with specimen signature.
- Other issues relating to the sale of the company shall be notified by the Administration to the bidders during sale negotiations.
- Subsequent to the termination of the sale negotiations with the eligible bidders; a letter of intent encompassing the terms of price and payments as well as a performance bond amounting at least 6% of the final agreed value will be requested from the bidder who meets the PPA's selection criteria. The unconditional bid bond will be cashed and recorded as income in the event that the letter of intent is not given or the letter of intent is given however the performance bond is not given and/or intent is not signed within the period as agreed upon between the parties.
- The Republic of Turkey, Prime Ministry Public Participation Administration is not subject to the State Tender Law No: 2886 and reserves the right to decide whether or not to sell the shares and to extend the deadline of the tender, if deems necessary.
- The sale of the shares to real persons and the legal entities domiciled abroad is subject to the existing law and regulations of foreign capital, copies of which are obtainable from the Undersecretariat of Treasury and Foreign Trade, General Directorate of Foreign Investment.

REPUBLIC OF TURKEY  
PRIME MINISTRY  
PUBLIC PARTICIPATION  
ADMINISTRATION

Hüseyin Rahmi Gürpınar Sok. 2 Çankaya, 06680 ANKARA-TURKEY Tel: (90-4) 441 15 00 Fax: (90-4) 440 32 71

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## ATTENTION ALL COMPANIES with HOUSE BUILDING INTERESTS SOUTH WEST OF ENGLAND

Quoted low geared international plc seeks to acquire private housebuilding company or division of existing national housebuilder in South West of England with land bank.

Transaction preferred on basis of either exchange of shares or payment in shares.  
The need for strict confidentiality is appreciated and will be assured.  
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Norrie Stokes & Perrett  
Chartered Accountants  
Douglas House, East Street,  
Tonbridge, Kent TN9 1HP

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## COMPANY NEWS: UK

## Export rise behind growth at Highland

By Philip Newstone

STRONG GROWTH in exports of Famous Grouse whisky drove Highland Distilleries' first half operating profits ahead 13 per cent to £13.3m.

Famous Grouse exports during the six months to February 28 rose 11 per cent in volume and 21 per cent in value.

Since the alliance with Rémy Cointreau in 1990, which greatly extended distribution of Highland's leading brand, exports have increased from 25 per cent to 38 per cent of total sales, with significant growth in France, Sweden and Greece.

Interim pre-tax profits advanced from £14.7m to £21.2m, with £1.4m of the increase coming from the underlying business and £5.1m from a change to equity accounting of the company's 35.1 per cent stake in Robertson & Baxter, the whisky blender.

Earnings per share benefited from the accounting change, rising from 7.7p to 11.2p.

The interim dividend is

raised to 1.6p (1.45p).

Turnover advanced from £96.8m to £98.3m in what Mr John Goodwin, chairman, described as "difficult trading conditions."

Sales of new malt whisky fell 21 per cent and mature whisky volumes were also lower, reducing profits by about £1m. Mr Goodwin said that volumes were likely to be 23 per cent lower this year and to remain flat in 1994. Highland's distilleries were working at 40 per cent of capacity this year compared to 50 per cent last year.

Famous Grouse maintained its premium price position in the UK market at the expense of some volume, but improved market share from 13.7 per cent to 14 per cent.

Because of exchange and interest rate uncertainties, the company repaid at an additional cost of £4.9m, a £30m loan, raised in French francs in 1990 to help finance its investment in Orpar, the Rémy holding company. Net borrowings were reduced from £10.2m to £2.8m.

## Scottish TV advances by 18% to top £10m

By Richard Gourlay

SCOTTISH Television, which last year regained its *Broadcasting* with a £2,000 a year bid, yesterday reported an 18 per cent increase in pre-tax profits, from £8.62m to £10.1m, for 1992. Sales were up some 11 per cent at £126.1m.

Advertising revenues rose 3 per cent to £90.8m and the sale of programmes was 32 per cent up at £23.2m.

Mr Gus Macdonald, managing director, said new orders had already been received for series like *Doctor Finlay* and *Taggart* which would ensure "another significant increase for 1993". He believed that operating margins of 14 per cent before the levy were among the best in ITV.

Reorganisation, including the cost of early retirement and voluntary redundancy, led to a £4.61m exceptional charge. The company has written off its £1.8m share of the start-up costs of Good Morning Television, where it has a 20 per cent stake.

Earnings per share rose from 11.4p to 13.9p. The final dividend is 8.2p to give 9.52p (8p) for the year.

## Clydesdale Group set for market flotation

By James Bunton, Scottish Correspondent

CLYDESDALE GROUP, the electrical goods retail chain, plans a Stock Exchange flotation in late June which is expected to raise £30m in new money and capitalise the company at about £90m.

The flotation is aimed at largely wiping out borrowings, currently standing at about £32m, and at financing an expansion programme in England which is already under way. Clydesdale's merchant bank is Rothschilds and its broker is NatWest Securities.

Clydesdale has been expanding rapidly since 1990 and has added 23 out-of-town stores in England to its 86 high street and 11 out-of-town stores in Scotland. In the next 12 months it plans to open a further 20 out-of-town stores in England as far south as Birmingham and Peterborough.

It claims to have 2.7 per cent of the highly fragmented UK electrical goods retail market. But though this sounds small, Clydesdale believes it is the third largest company in the sector which is worth some £10bn. The leader is Dixons, which includes Currys, with

13.7 per cent, followed by Comet with 5.5 per cent.

Clydesdale is setting itself what it calls "a loose target" over an unstated timescale of raising its market share to 10 per cent.

The key man is Mr Henk van Eck, a Dutchman who came in as chief executive in 1985 at the behest of institutional investors led by Ivory & Sims, the Edinburgh fund managers, after the company ran into serious problems two years after a management buy-out. He was able to insist on getting 51 per cent of the company.

Mr van Eck sacked the entire management and 27 per cent of the staff, shed non-core businesses and closed nine stores in England. "When business began to turn down with recession in the third quarter of 1988 we'd already pared the business right down. That is why we were virtually the only regional retailer in our sector to survive the recession, if you exclude the regional electricity companies," he said.

In 1990 Clydesdale secured the funds it needed to expand and reduce its debt - gearing had reached 400 per cent. It placed £11.5m of new equity and arranged £25m of bank facilities. Mr van Eck's stake

was diluted to 29 per cent and the other big shareholders are now Scottish Amicable and Standard Life, each with 20 per cent.

As well as adding out-of-town superstores to its high street base, Clydesdale has diversified its marketing strategy to appeal simultaneously to the ABC market segment and the C2 and DE segments. It has cut its inventory from 15 weeks to 10 weeks by delivering and installing most large items from two central warehouses, one in Glasgow and a new one near Wakefield, South Yorkshire.

"Our efficiency and our low cost base enable us to offset the much bigger bulk purchase discounts which the bigger groups get," said Mr van Eck. Turnover in the year to March 31 1993 is estimated at £140m, against £71.3m in 1991. Operating profit is likely to be £7m, against £3.4m in the 14 months to March 1992, and pre-tax profit is likely to be £5m.

"Unlike some of our rivals which are expanding northwards from a high cost base in the south of England, we are heading south from a cheap Scottish base," Mr van Eck said.

## ITN chairman puts emphasis on profit

By Gary Mead, Marketing Correspondent



Michael Green: no property problems for ITN

MR MICHAEL Green, chairman of Independent Television News, warned yesterday that the group must move from being "cost driven to profit driven", and that it must "develop other sources of revenue from home and abroad".

Mr Green, also chairman of Carlton Communications, refused to be drawn on possible further job cuts. "There are no jobs for life, but we don't have a piece of paper saying 'these are the new job cuts'". Staff levels have been reduced from 1,100 to 650 in the last two years.

Mr David Gordon, the new chief executive, highlighted ITN's need to increase its international business, "both for input and distribution" of news programmes.

Mr Gordon, previously chief executive of The Economist, said he hoped to bring to ITN an "understanding of the importance of editorial quality".

Last week the Department of Trade and Industry approved a seven-member consortium takeover under which new shareholders have committed £20m to fund ITN, and will in principle buy its London headquarters for £7m from Stan-

hope Properties. ITN previously had 15 shareholders. The restructuring was in part prompted by what are understood to be £5m annual losses on the headquarters.

Mr Green said yesterday: "There are no property problems for ITN", adding that the board believed it made better financial sense to buy the property than spend £5.6m annually in rent. He added that other, unspecified tenants are interested in renting surplus space.

In the 17 months to end-1992 it is believed ITN made an operational profit of between £7m and £10m, compared with £3m for the 1991 year.



Established 1886

## Wharf Reports 20% Earnings and 30% NAV Growth

1992 has been a very significant year for the Wharf group as it marked a quarter of a century of profit growth which started in 1967 and produced an average growth rate of 27% per annum. It was also an eventful year wherein we saw world attention focused towards the thrust of investments into China.

## World attention focused towards investment thrust into China.

With Asia Pacific clearly manifesting itself as the economic force of the future, it was therefore fitting that the Wharf group began its strategic business analysis in China, in which we first advanced the necessity of opening up central China by positioning Wharf as the pivotal distribution location. Since then, we have put forward the concept of the economic tripod of Hong Kong, Wahan and Shanghai, supported by Beijing's "Three Along" policy of promoting economic development along China's coast, its borders and the Yangtze River.

Whilst pursuing strategic investments in China, Wharf remains a group which continues to rely extensively and fundamentally on core investments with a long-term presence in Hong Kong. For the

Wharf remains a group which relies on core investments with a long term presence in Hong Kong.

same reason, we do not look to China for quick profits but a fair and reasonable return on our endeavours and on any investments we make. We will participate in developing property and infrastructural projects there in the same way that we have nurtured and added value to our Hong Kong investments over the last 100 years. Our investment commitments in Hong Kong clearly indicate that we look to the Basic Law as a workable document to give our Hong Kong businesses the necessary comfort in the future.

## Hong Kong as the natural "window" into China.

Indeed, we believe that Hong Kong is the natural "window" into China for our many international business friends who see the potential market of China, and who have Asia-Pacific ambitions, as

technology and know-how are easily transferable across borders. Due to the globalization of labour, where OECD countries with technological expertise must now look for low cost and reliable production if they are to remain competitive, multi-national companies can no longer afford not to pay attention to the Asia-Pacific region. I always advocate that they should not wait too long before furthering their business in East Asia and China. The "Do Something" strategy is my recommendation. I also tell my business friends overseas that in my view to China, I have seen dramatic changes in the attitude of the people. Economic development is now without doubt at the top of their agenda, and the people I meet in the cities are really at ease with this changing environment.

## Wharf can act as a "bridge" to develop business between our mainland Chinese partners and our business associates.

China must not be viewed as a single market, it is composed of a series of over 30 regional markets all of substantial size. Combined with Asia-Pacific countries, there are over 40 economic units already trading with each other, and each is in turn trading with overseas partners.

With the continued integration of economies between China and Hong Kong, Wharf can act as a "bridge" to develop business between our mainland Chinese partners and our business associates from other parts of the world. Within this environment, a mere 5% growth in China's economic activity is translated manifold into the workload demand on Hong Kong's manpower. Hong Kong can only remain competitive if we have more well-trained people. The idea of "competence through our people" should therefore be high on our economic and social agendas.

## The idea of "competence through our people" should be high on Hong Kong's economic and social agendas.

The Group has accordingly been placing greater emphasis on the successful build-up of autonomous business units, each with a highly motivated executive team headed by a main board director who carries his own portfolio. Our business unit leaders also devote a great deal of effort on building up their strength and depth of

management in their respective streams of business. Accumulation on management and human resources development is all the more important, particularly in view of our start-up operations in China and in the communications field. Maximum priority is given to staff training, development and to the creation of management depth.

Wharf is essentially an asset growth driven group with a focus in Hong Kong. In the last several years, we have been adding incrementally to our asset base with projects in Hong Kong, in Singapore, in the U.S. and beginning now in China. With the substantial enlargement of our asset base, which will be brought about by the completion of major property developments under construction in the next two to three years, we shall continue to be in a position to maintain our balance sheet debt to within 30% of total group assets which currently stands at about 12%. Further, in the medium term at least, it is our intention to gradually commit between 10% to 20% of our balance sheet to China investments. Reviewing our current investment programme, we do not see the necessity to raise funds from our shareholders in the equity market by way of rights issues. We feel our strategy is sound and our core business will continue to expand through well selected opportunities.

## Accumulation on management and human resources is important - priority to training, development and management depth.

Within a region where there has been tremendous economic growth over the past two decades, I regret to say that many aspects to do with our quality of life in our community have not kept up with the pace of that economic growth. Under the severe daily pressures that we face, I feel that our business community should also take a more active role in contributing to the community, in particular towards environmental issues, to our senior citizens and to the handicapped where the available general welfare benefits are stretched to keep up with the pace of inflation.

The Group is in a strong position, well poised to take advantage of the many new opportunities. On behalf of our board of directors, I would like to close by thanking all our shareholders, joint venture partners and bankers for their support and the advice given to us during 1992.

Peter Kwong-Ching Woo  
Chairman  
Hong Kong, 31st March, 1993

## Prospects

Group future earnings look very promising, propelled by the four major property developments of Times Square and Lane Crawford Place both of which will come on stream in 1993, and Gateway and Parc Oasis in Singapore in 1994. The second phase of the Harbour City Redevelopment has been approved by Government, and the Group is likely to commence this project approximately at the time when Gateway is completed.

The Group is enthusiastic with the prospects of introducing the territory-wide Pay-TV service to Hong Kong in the last quarter of 1993. The Wharf Cable team has been working extremely hard to ensure that quality programmes will be delivered to the public on time. Based on the thorough research and surveys undertaken, we are confident that the expected level of subscribers will be achieved, and that this will be a profitable line of business once the service matures in the next few years.

The Group is approaching its China involvement in a structured manner, based on clearly defined strategies. The China Team has representatives in the major strategic locations in Wuhan, Shanghai and Chengdu, plus a roving technical project team which will visit projects in respective cities as and when required.

The Group has substantial financial resources, and is therefore well positioned to take advantage of the many opportunities which will arise in the future. Operating in the most dramatic growth area of Asia-Pacific, we look to the future with a high degree of confidence.

By Order of the Board  
Secretary  
Hong Kong, 31st March, 1993

## Financial Review

For the year ended 31st December 1992, group profit attributable to shareholders was HK\$2,051.4 million, compared to HK\$1,283.6 million for the nine month period ended 31st December 1991, representing an increase of 20% on an annualised basis.

Earnings per share were 97.8 cents as compared with the adjusted figure of 61.2 cents for the preceding period. In accordance with the established accounting policy, the Group's property interests in Hong Kong were revalued at 31st December 1992. On that basis, the consolidated net asset value of the Company as at that date was HK\$21.33 per share, compared to HK\$16.19 per share at year end, 31st December, 1991.

As a result of the change of the financial year end date from 31st March to 31st December with effect from the fiscal period ended 31st December 1991, the period used for comparison purposes is in respect of the nine month period ended 31st December 1991 and not the same twelve month period as in previous year.

To keep in line with current corporate practices, certain items which in prior years were separately accounted for as extraordinary items are now included in the operating profit of the Group with effect from 1st January 1992. This change has resulted in a profit on disposal of certain properties amounting to HK\$211.3 million being included in the year's operating profit of the Group instead of being stated as an extraordinary item.

An interim dividend of 16.5 cents per share was paid in October 1992 and our Directors recommend a final dividend of 48.5 cents per share to be adopted at the forthcoming Annual General Meeting. The total dividend for the year will be 65 cents per share, equivalent to an increase of 15% over that for the nine month period ended 31st December 1991.

## Building for Tomorrow

## The Wharf (Holdings) Limited 1992 Results Announcement

## DIVIDENDS

An interim dividend of 16.5 cents per share was paid in October 1992 and our Directors recommend a final dividend of 48.5 cents per share to be adopted at the forthcoming Annual General Meeting. The total dividend for the year will amount to HK\$1,283.6 million, compared to HK\$1,183.6 million paid for the preceding nine-month period ended 31st December, 1991.

## NET ASSET VALUE

The consolidated net asset value of the Company as at 31st December, 1992, was HK\$21.33 per share, as compared to HK\$16.19 per share as at 31st December, 1991.

## SUMMARY OF GROUP RESULTS

	Year ended 31st December, 1992	Nine months ended 31st December, 1991
Turnover	4,391.6	2,394.8
Operating profit	2,014.3	1,239.9
Share of profit less losses of associated companies	363.3	242.3
Profit before taxation	2,377.6	1,482.2
Taxation (Note 3)	(256.0)	(140.7)
Profit after taxation	2,121.6	1,341.5
Minority interests	(67.6)	(37.9)
Group profit attributable to shareholders	2,054.0	1,303.6
Appropriations	(146.3)	(104.2)
Final dividend	(1,017.7)	(61.2)
Transferred to reserve reserves	(889.7)	(58.2)
Earnings per share (Note 4)	97.8 cents	61.2 cents
Dividend per share		
- Interim (Paid)	16.5 cents	16.5 cents
- Final (Proposed)	48.5 cents	42.8 cents
- Total	65.0 cents	59.3 cents

## Notes

(1) As a result of the change of the financial year end date from 31st March to 31st December with effect from the fiscal period ended 31st December, 1991, the period used for comparison purposes is in respect of the nine-month period ended 31st December, 1991 and not the same period as in the preceding year.

(2) Included in turnover and operating profit is a gain of HK\$211.3 million arising from disposal of certain properties in line with current accounting practice. Comparative figures have been restated to conform to the current year's presentation.

(3) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes, at the rate of 17.5% (1991 - 16.5%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	Year ended 31st December, 1992	Nine months ended 31st December, 1991
Hong Kong profits tax	189.3	104.2
Overseas taxation	14.2	11.2
Deferred taxation	(44.8)	(4.2)
Associated companies		
Hong Kong profits tax	57.9	29.5
	256.6	149.7

(4) The calculation of earnings per share is based on the earnings for the year of HK\$2,054.0 million (1991 - HK\$1,303.6 million) and the weighted average of 2,092,261,446 shares (1991 - 2,098,095,195 shares) in issue during the year. The comparative figure for 1991 has been adjusted for the change in accounting treatment mentioned in Note (2) above.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 16th June, 1993.

## BOOK CLOSURE

The Register of Members of the Company will be closed from 4th to 16th June, 1993, both days inclusive.

## NEWS DIGEST

## Dolphin dives to £1.5m

DOLPHIN Packaging continued to suffer from difficult trading conditions in 1992 and saw pre-tax profit halved, from £3.05m to £1.5m.

The dividend, however, is maintained at 4.5p with a final of 2.5p. Earnings per share were 5.22p (10.55p).

Turnover fell 8 per cent to £25.6m (£27.8m) reflecting lower selling prices but also higher product volumes, said Mr Roger Woolley, chairman.

Dolphin and DRG Plastics have agreed to settle their dispute which began in June 1991, after DRG brought legal proceedings against Dolphin regarding its rotary thermoforming process.

The agreement maintains the confidentiality of the process with Dolphin selling its rotary thermoforming machinery to DRG at an agreed commercial value.

## Dinkle Heel

Dinkle Heel, which makes components for the shoe trade, suffered a fall in 1992 pre-tax from £289,000 to £201,000.

Actual turnover dropped from £7.29m to £6.67m. However, adjusting for the disposal of the Enterprise Group, there was a rise of 1 per cent including a 23 per cent improvement in exports.

Interest paid was cut to £86,000 (£107,000). Earnings worked through at 1.31p (1.82p) and the final dividend is 0.6p for an unchanged total of 0.95p.

## Int'l Food

International Food Machinery, which came to the market in December, announced a pre-tax profit for 1992 of £1.05m, compared with £8m which included an exceptional credit of £4.98m.

Losses on discounted activities were £578,000 (£297,000 profit). Turnover on continuing operations was £8.24m (£5.82m) and on discontinued operations, £1.37m (£790,000). Earnings before the exceptional item were 6.79p (6.55p).

## Home Counties

Difficult trading conditions and start-up costs of new publications meant Home Counties Newspapers suffered a 28 per cent fall in pre-tax profits from £1.06m to £747,000 in 1992. Turnover edged ahead from £21.5m to £22.5m.

As forewarned at the interim stage, the final dividend has been cut from 5.5p to 3.25p for a total of 6p (8.35p). The result included exceptional gains of £512,000 (restated £189,000) on the sale of investments.

## Wescol

Wescol, the USM-quoted constructional steelwork and steel products group, returned profits of £13,000 pre-tax for the six months to January 31 compared with previous losses of £379,000.

Turnover on continuing operations amounted to £8.15m (£7.77m). Earnings worked through at 0.1p (losses of 3.8p).

## WSG

Reduced pre-tax losses were announced by Westminster Scaffolding Group, the USM-quoted scaffolding and

property group, for the year to October 31.

On lower turnover of £8.18m (£8.22m) the pre-tax loss amounted to £2.19m (£3.41m) after an exceptional charge of £143,000 (£2,050m). Losses worked through at 7.8p (18.3p).

## Tharsis

Tharsis, the Glasgow-based group mainly involved in property development in Spain, continued the recovery made in the first half and for the year to December 31 achieved pre-tax profits of £498,347, compared with a loss of £290,044.

The results benefited from an exchange gain of £363,000. Turnover was reduced to £300,797 (£426,733). The proposed final dividend of 1p (nil) makes a total of 6p (5p), payable from earnings of 19.42p (5.32p losses).

## FKI

FKI, the electrical engineering group, has sold a Canadian chair control business for \$10m (£7m) as part of its plans to dispose of non-core and poorly performing activities.

The company, Doerner, had annual sales of about £12m but was barely making a profit. It was being sold for its book value to Northfield Metal Products. Proceeds came in just before FKI's March year-end. By last September, net debt had been reduced to £50m.

## Ladbroke

Ladbroke Group has enhanced the value of the scrip alternative regarding its final cash dividend of 6.23p for 1992.

Shareholders will be offered the opportunity to receive new ordinary shares to the value of 9.345p in respect of each ordinary share - 50 per cent more than the cash value of the proposed 1992 final payment.

## Denistron

Denistron International, the electronic components group, swung from losses of £377,000 to profits of £1,012m pre-tax for 1992. The shares rose 5p to 33p. Earnings of 4p per share compared with losses of 5.5p. A proposed final dividend of 1p makes a 1.4p (nil) total.

## Corp Services

Corporate Services, the employment service group which derives 80 per cent of revenue from temporary and contract labour, cut its 1992 deficit from £2.13m to £804,000 after turning round to a profit of £1.6m, at the trading level.

An exceptional charge of £282,000 related to restructuring, and interest costs came to £570,000 (£467,000).

Turnover in the second half was some 28 per cent more than in the first, with a subsequent bias regards profitability. Losses came through at 1.85p (9.32p).

## Roskel

After £2.4m for exceptional charges Roskel, an installer and distributor of suspended ceiling systems, ran up a pre-tax loss of £1.2m for 1992, compared with a profit of £1.57m.

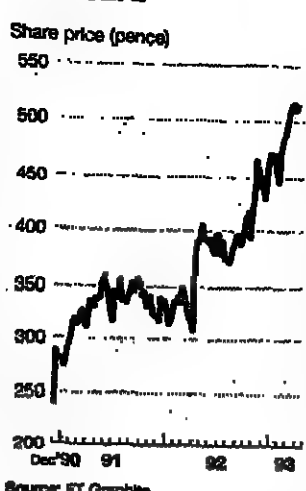
Losses came to 5.46p (earnings 7.22p). The final dividend is 3p for an unchanged total of 4.3p.

Turnover in 1992 rose from £43.8m to £47.5m. Again bad debts and related costs took their toll, amounting to £389,000 (£390,000).



## By Angus Foster

to £125.7m in 1992 while turnover fell 2 per cent to £664.4m.

**Seeboard**

ties are to be run by Andersen Consulting.

**FALLING UK profits** at MB-Caradon, the building products and security printing company, led to its first write off of advance corporation tax at a cost of £3.4m.

UK profits were hit by continuing recession and one-off costs. At Everest, the replacement window and double glazing company, about £2m was lost after the company mistimed recov-

On a fully diluted basis, earnings increased to 15.8p (15p) per share. The final dividend of 5.9p makes a total of 8.65p (8.43p).

CONTINUED

Hardly surprisingly, the market was far more interested in Caradon's takeover plans than yesterday's results - almost every name in the building materials sector has now been mooted as a target. Caradon insists it will not be hurried into making its move; equally, it will not wish to be seen to dither, especially with UK interest rates this low. The company appears to be preparing itself

and its followers for a significant bid, preferably on a friendly rather than hostile basis, and it is likely to start looking in the UK or, possibly, Germany. In any event, forecasts of profits for this year will be difficult because of the exceptional and currency gains. But underlying earnings are likely to be little changed, reflecting recovery in the UK and US against a slowdown in Europe and the replacement of CMB profits by interest earnings. On that basis, the shares are trading on 20 times and look fully valued, even if investors decide Caradon now deserves to be rated as a building materials company rather than a conglomerate.

**By Peggy Hollinger**

per cent and a refocus of the company on less expensive volume products.

A further £400,000 in costs would be taken in the current year. Mr Miliken said the full benefits of rationalisation were not expected to feed through

nesses had performed reasonably well, either virtually maintaining or increasing prof-

for the current year was better, with Lamont expecting to reduce the losses at Shaw. As a result, the final dividend is maintained at 8.5p, for an unchanged total of 12p. Earnings, partly depressed by the 1-for-4 rights last year to pay for Alexander Drew, fell from 21.84p to 16.09p.

Mr Richard Miliken, chief executive, said the fall reflected a £2m loss in Shaw Carpets and a further £1m deficit in the computer business. Steps had been taken to stem the losses, including the reduction of Shaw's workforce by 17

**Margins** - which had dropped by 3 to 4 per cent during the year - continued to present difficulties.

Total costs of rationalising the loss-making businesses came to about £950,000 in 1992.

Group turnover was 6 per cent higher at £115.5m, including a seven-month contribution from textile printer Alexander Drew & Sons. This business produced profits of not less than £3m in that period.

Drew, interest payments rose from £68,000 to £698,000. Mr Milliken said the group aimed to reduce its debt as a percentage of shareholders' funds from 24 per cent to roughly 12 per cent.

However, Mr. Milliken remained "cautious and cagey" considering the lack of any sign of real upturn in the markets served by the carpet companies. "We do not anticipate any help from the market this year," he said.

	Current payment	Date of payment	Corres- ponding dividend	Total for year	Total last year
BO Technology	in	nil	0.2	-	0.2
Delecton Intl	in	June 19	nil	1.4	nil
Dixie H&E	in	0.8 July 21	0.8	0.05	0.05
Dolphin Plg	in	2.8 May 17	2.8	4.5	4.5
Highland Dist	int	1.8 June 7	1.46	-	6
Home Counties	in	3.25 May 21	5.5	6	8.25
Lancast	in	6.5 July 1	8.5	12	12
Lo & Manchester	in	3.8 June 19	1.44	18.5	13.72
MG-Carson	in	5.9 June 14	5.75	8.85	8.5
MGN	in	nil	nil	0.8	0.8
Morgan Crucible	in	5.85 July 6	6.85	12.8	12.8
Roskel	in	3 June 4	3	4.3	4.3
Scottish Tel	in	8.50/51 June 7	9.52/5	9.52/51	8
T&S Stores	in	3.5 May 28	3.25	5.5	5.5
Thompson Glve	in	3.8	3.8	3.8	3.8

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# A YEAR OF SUBSTANTIAL RECOVERY

## ANNUAL REPORT 1992

Decisive management action produced a substantial recovery in General Accident's operating performance during 1992. A pre-tax loss for the year of £29.3m represented an improvement of almost £143m, despite losses on Hurricane 'Andrew' of £65m net.

During 1992, the company also enhanced its considerable financial strength. The following information is taken from the group's latest Annual Report, published on 5th April, 1993:

	1992	1991
<b>General Premiums</b>	<b>£3,831m</b>	<b>£3,219m</b>
<b>Technical Reserves</b>	<b>£5,668m</b>	<b>£4,578m</b>
<b>Free Reserves</b>	<b>£1,629m</b>	<b>£1,373m</b>
<b>Cash Inflow from Operations</b>	<b>£331m</b>	<b>£237m</b>

Net assets of £1,629m take no account of the value of General Accident's growing life assurance business. Calculated on a conservative basis and excluding any estimate for the value of future profits, the group's long-term business is valued at almost £450m.

**Nelson Robertson, Chief Executive, comments in his Operational Review:** "Our objectives in the current year remain firmly centred on the achievement of further underwriting improvement. Our performance will benefit increasingly through the year from the actions we have taken and are continuing to take and . . . we anticipate further progress in 1993."

For a copy of General Accident's latest Annual Report return the completed coupon to:  
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## COMMODITIES AND AGRICULTURE

## Zinc rises after cuts in America

By Kenneth Gooding

LOW METAL prices are forcing more lead-zinc mines to reduce output but on the London Metal Exchange yesterday only zinc showed a substantial recovery on news of cuts in Canada and Mexico.

Zinc for delivery in three months rose by nearly 1.5 per cent, or US\$13.75 to \$1,020.25 a tonne, as the market absorbed analysts' estimates that the cuts would this year remove about 110,000 tonnes of refined zinc and 74,000 tonnes of lead.

Empress Minerals in Mexico has suspended operations at its Real de Angeles zinc-lead-silver mine and Curragh Resources has stopped producing concentrates at its Faro mine in the Yukon. This follows recent reductions by MIM, Pasminco, Cominco and Noranda.

Mr Neil Buxton, analyst at Metal Bulletin Research,

suggested that the lead market had reached a turning point and prices, which had fallen much further than most people expected, had reached bottom. (On the LME, three-month lead closed at \$283.25 a tonne last night, up \$3.50.)

Mine production cuts and the fact that new mines produced more zinc and less lead were causing a shortage of lead concentrate (an intermediate product).

Lead smelters would have to cut production because they were running out of raw material - "but whether this will take one month or six months I can't tell."

Mr Buxton said zinc smelters were just about breaking even and had shifted the burden of low prices on to the mines. He said the smelters were acting "from short-term self-interest which will prolong the mutual agony."

## Armed gangs block Papua gold plan

By Kevin Brown in Sydney

CRA, the Australian mining group, has abandoned plans to produce gold in the Mount Kare region of Papua New Guinea, drawing renewed attention to the tough relationship between the government and foreign resource companies.

The withdrawal, announced in Port Moresby on Sunday, comes three weeks after CRA evacuated Mount Kare, claiming that staff were being threatened by rival gangs of armed landowners.

The group rejected demands for an apology from the government, which claimed that the evacuation was related to a financial dispute between CRA and Kare-Puga Development

Corporation (KDC), the land-owners company.

CRA agreed in October to transfer to KDC its 51 per cent stake in a joint venture which owns an alluvial goldfield in the area around Mount Kare. The remaining shares are owned by KDC.

The group had intended to retain the rights to prospect for hard-rock gold deposits, but appears to have given up hope that the security problems in the area can be overcome.

CRA said "disproportionately high costs" had been incurred at "great effort and risk," in an attempt to stabilise the Mount Kare project in the interests of landowners and the good name of the Papua New Guinea mining industry.

## Bafokeng chief to join Impala Platinum board

By Philip Gawth in Johannesburg

THE GRADUAL return to health of Impala Platinum, South Africa and the world's second largest producer, continues with the announcement yesterday that acting chief Mokgware George Moloi had accepted an invitation to join Impala's board as a representative of the Bafokeng tribe.

The Bafokeng tribe is an important player as it owns the land that Impala mines. Doubt

has in the past been cast over the security of Impala's lease owing to disputes about who represents the tribe.

Mr Michael McMahon, executive chairman of Impala commented yesterday: "This is a significant step in furthering our relationship with the Bafokeng tribe, who are a vital part of our operations."

"The Bafokeng do not own equity in Impala, but in terms of a royalty agreement are entitled to 13 per cent of taxable income."

## Aluminium industry warned of smelter shortage

By Kenneth Gooding, Mining Correspondent

WARNINGS THAT a lack of new primary aluminium smelting capacity will leave the aluminium supply-demand balance extremely tight by 1996, forcing prices up to unusually high levels, have come from two experienced industry observers.

Both suggest that the industry and its financial backers will want to see aluminium prices at about 75 cents a lb (US\$1.653 a tonne) for a sustained period before giving the go-ahead for any big expansion in capacity. It would then take about three years to get a smelter into full production.

Three-month aluminium closed yesterday on the London Metal Exchange at \$6.25 at \$1.141 per tonne, a 14% month low.

Mr Stewart Spector, of the New York-based Spector Report consultancy organisation, points out that the industry plans no new primary smelting capacity before 1996.

At the end of 1992 western world capacity was 16m tonnes, up nearly 4 per cent from the 15.3m tonnes at the end of the previous year. Planned modernisation of existing smelters, offset to some extent by scheduled closures, could boost capacity to 16.1m tonnes by 1995 - an increase of only 0.6 per cent in two years.

Mr Spector says 1.8m tonnes of new capacity is planned for completion between 1996 and 1998. "However, until the supply-demand, pricing and profit outlook improves, only South Africa's new 466,000-tonne smelter (Alusaf at Richards Bay) is likely to be built."

China has several new projects under various stages of construction but many are behind schedule and, "as the Chinese economy expands and integrates itself with the rest of the world, they could close many of their smaller, inefficient smelters. These small smelters currently account for about one-third of China's installed capacity of 1m tonnes," says Mr Spector in his annual survey of aluminium capacity and expansion plans.

The industry's present problems stem from very low prices caused by a sudden surge in imports from the former Soviet Union and the failure of the western producers to cut output quickly enough, the two observers point out.

Mr Tony Bird of the UK-based Anthony Bird Associates consultancy organisation, suggests that the flow from Russia will dry up eventually. He estimates that Russian costs at present average only 24.5 cents a lb compared with the western average of 54 cents. "But this will change dramatically when Russian plants pay true economic prices for their inputs and their natural inefficiency shows through," he adds. "In time Russian costs will rise to 80 cents in constant

PRESENT AND PLANNED PRIMARY ALUMINIUM INGOOT CAPACITY (thousands of tonnes)									
Year end: Dec 31	1990	1991	1992	1993	1994	1995	1996	1997	1998
North America	5,759	6,002	6,440	6,440	6,440	6,435	6,435	6,435	6,435
Latin America	1,784	2,039	2,000	2,000	2,012	2,031	2,171	2,366	2,616
Western Europe	3,337	3,616	3,534	3,529	3,485	3,501	3,548	3,745	3,749
Eastern Europe	4,391	4,316	4,224	4,264	4,264	4,264	4,264	4,264	4,264
Asia	637	637	637	637	640	700	1,188	1,248	1,348
South Asia	1,345	1,403	1,571	1,696	1,696	1,705	1,748	1,818	2,038
Africa	54	36	36	36	36	36	36	36	36
East Asia	970	970	1,130	1,250	1,250	1,250	1,350	1,500	1,610
China and North Korea	1,519	1,529	1,666	1,676	1,696	1,716	1,750	1,780	1,792
Oceania	20,056	20,546	21,338	21,413	21,519	21,638	22,490	23,215	23,878
Total world									

Source: The Spector Report

1992 money and all but one or two smelters will be uncompetitive on western markets."

Mr Bird estimates aluminium consumption during the 1990-2003 period will grow at an average 3.2 per cent a year, in line with industrial production growth. But "growth will come in bursts, rather than in a steady stream, thanks to the fluctuations in prices which lie ahead," he suggests, in Bird's latest aluminium annual review, that consumption

growth will be rapid in 1995-1996 and then be checked for a time by rising aluminium prices before moving ahead faster again from 1999 onwards.

In contrast, aluminium companies at present plan increases in primary smelter capacity of only 1.2 per cent a year - "quite inadequate to provide for likely growth in demand, the need to retire more uneconomic plants and the coming collapse in net exports from the former Soviet

Union," Mr Bird adds. "The rate of new smelter construction will have to be revised upwards sharply. And that will not of course happen unless prices recover substantially."

"The Spector Report, Primary aluminium capacity and expansion: 1992-1998" from PO Box 467, Henley, New York 11557, U.S. "Aluminium Annual Review", 1990, Anthony Bird Associates, 153 Richmond Road, Kingston, Surrey KT2 5DD, UK.

## Daniel Rappaport tells Laurie Morse his plans as the new head of Nymex

## A quieter style of management



Daniel Rappaport

MR DANIEL Rappaport, elected two weeks ago as chairman of the New York Mercantile Exchange, the world's fourth-largest futures exchange, plans to build on the ambitious expansion and cost-saving plans he has inherited from his predecessor, Mr Lou Guttmann. But he is not planning to step into Mr Guttmann's larger-than-life image.

After a hard campaign, disrupted by the blast at the Nymex's World Trade Center location, Mr Rappaport wants to keep a low profile in his new job. "You will notice I have a different management style," he says. "I think the exchange should be run most appropriately by staff. I'm basically in charge of managing the board."

The Brooklyn native, who trained for the law but quickly took over the frenzied life of a crude oil futures trader, has been vice chairman of the Nymex for two years, and acted as chairman for four months last year when Mr Guttmann took leave to address pending legal problems.

As a result he is well acquainted with Nymex issues. One of the most pressing is the exchange's agreement to move into a Manhattan building owned by Shearson, the former American Express unit. Shear-

son's acquisition by Primerica this month requires a renegotiation of Nymex's lease, and will delay the move to late 1994, Mr Rappaport says. He intends to preserve the \$70m in concessions contributed to the building deal by New York City. Primerica, he says, has its own uses for the building, and is reconfiguring Nymex spaces. "We will get the same amount of space, but maybe not the proximity to the trading floor that we wanted."

The Nymex board is currently considering a bid for Comex (the New York Commodity Exchange), the metals market that the Chicago Board of Trade is negotiating to absorb. Mr Rappaport has appointed a committee to review the issue. "I think if we were able to acquire the Comex on favourable terms, it would be good for the New York markets as a whole," he says, noting the Chicago bid had been resented by the often-fractured New York trading community.

Like any chief executive, Mr Rappaport is also looking for new profit opportunities for his shareholders - Nymex members. While the Nymex has been hugely successful in its energy products, "we don't want to limit ourselves to energy areas exclusively," he says.

## Frances Williams on a United Nations fund in crisis Millions of dollars and nothing to spend it on

ORIGINALLY conceived as a central loans fund for commodity traders with buffer stocks, the United Nations Common Fund for Commodities faces a serious identity crisis.

The Amsterdam-based organisation, set up in 1989, is sitting on millions of dollars it cannot use, as, one by one, the few remaining commodity agreements have fallen by the wayside. At the same time, the financing of commodity development projects, the fund's secondary function, has been painfully slow to get off the ground.

The 105 members have put up \$140m in cash and promissory notes for its first account which, under the 1989 agreement governing fund operations, can only be used to lend for buffer stock operations. The interest on this money - just over \$7m last year - finances the \$3m-\$4m annual budget of the 25-strong secretariat, with the surplus going into a special reserve.

Even before the fund was set up, it was clear that in the foreseeable future it would have little use for the first account. The collapse of the tin accord in the mid-1980s, and a steady downward trend in real commodity prices stopped by oversupply, had already dampened enthusiasm for market intervention to boost prices.

In the past few weeks, the latest attempts to renegotiate price stabilisation agreements for coffee and cocoa have failed, and the rubber accord, the only commodity pact that still has an operational buffer stock, looks like going the same way.

This situation has led to calls by some fund members for first-account funds to be returned unless a good use can be found for them. Meanwhile, Australia has left the organisation and Canada will follow later this year. (The US, though a signatory, never ratified the Common Fund accord.)

Last year the organisation established a working group to advise on future options, in particular on shifting first-account resources to the fund's second account, which finances small-scale research, development, marketing and diversification projects.

However, the group's interim report shows that relatively little can be done without a lengthy renegotiation of the 1989 agreement - one reason why it rejected an unofficial proposal by a World Bank staffer to use first-account money for commodity hedging schemes. "The fund is imprisoned by an agreement drafted over 20 years ago, since when the whole commodity situation has changed," says a working group member.

An executive board meeting last week (March 29-31) proposed that member states that had not yet allocated all their allotted shares in the fund

should allocate the remainder to the second account for project loans. But it postponed a decision on using surplus interest on first-account funds for a revolving fund to finance project preparation costs until the need was established.

The second account, which has so far received \$73m in voluntary government contributions, is not currently constrained by lack of cash. Since 1989, to the irritation of many members, the fund has approved only 11 projects worth about \$9.3m in total.

Officials blame the slow start mainly on the inexperience of international commodity bodies in drawing up suitable project proposals. The fund will shortly publish a project preparation manual showing how it should be done, with an emphasis on projects to help the least developed countries.

In the meantime, approvals have risen from just one in 1991 to five in 1992 and perhaps 10-12 this year, including five projects authorised by the executive board at its last meeting.

This is all a far cry from the fund's original purpose but some developing countries have not written it off yet. "The fund may seem a bit irrelevant at the moment but with the world economic system in turmoil who knows what will be the situation in five years' time?" muses one third world delegate.

## WORLD COMMODITIES PRICES

## MARKET REPORT

COPPER touched five-week lows on the LME, helping to push ALUMINIUM down to 14% month lows. Further losses are likely in both metals, dealers said.

Copper's decline stemmed from the fall below \$2.15-\$2.16 for three-month metal. Dealers will be looking for support around \$2.130 to hold, ahead of tomorrow's April option declarations, although falls towards long-term support near \$2.100 are possible. GOLD was still consolidating its position on the London bullion market and would probably remain for now between \$338 and \$340 a troy

ounce, dealers said. Arabica COFFEE was lower at midday in New York after scoring life-of-contract lows across the board in early trading. There was no buying interest and volume was the fall below \$50.20 cents for May had set the stage for a move to 48 cents over the next few weeks. In London the May robusta contract managed to hold key support at \$852 a tonne. The only possible supportive factor was the likely absence of origins owing to the imminent Easter holidays.

Compiled from Reuters

## London Markets

SPOT MARKETS	
Crude oil (per barrel FOB May)	+0.01
Gold (per troy ounce)	\$339.15 -0.6
Silver (per troy ounce)	\$291.25 -4
Platinum (per troy ounce)	\$563.75 -1.75
Palladium (per troy ounce)	\$114.75 -0.25
Copper (LSE Producer)	101.00
Lead (LSE Producer)	34.00 +1.13
Tin (Kuala Lumpur market)	14.38 +0.07
Tin (New York)	281.40 +0.5
Zinc (LSE Prime Western)	62.00
Cattle (per weight)	136.50p +3.0p
Sheep (per weight)	135.01p +1.2p
Pigs (per weight)	91.62p +1.0p
London daily sugar (raw)	\$268.6 +3.6
London daily sugar (white)	\$266.0 -1.5
Tate and Lyle export sugar	\$269.0 +4
Banana (English lead)	\$144.50 +1
Mango (US No. 3 yellow)	\$171.00
Wheat (US Dark Northern)	49.00
Wheat (US Hard)	48.50
Wheat (US Soft)	48.00
Wheat (US Super)	48.50

SUGAR - London POKE (\$ per tonne)	
Raw	Close Previous High/Low
Aug	279.00 264.80 267.20
Oct	267.00 248.80 245.00
White	Close Previous High/Low
Aug	299.50 299.00 303.00 297.50
Oct	305.00 306.50 310.00 304.50
Dec	302.50 295.00 298.00 292.00
Mar	301.30 291.50 291.50 291.40
May	291.50 292.00 292.00 292.00
Jul	295.00 295.00 295.00 295.00
Turnover: Raw 8 (in lots of 50 tonnes)	
White 1470 (1013) Pests: White (FF) per tonne	
May 1627.80 Aug 1687.44	

COFFEE - London POKE (\$ per tonne)	
Raw	Close Previous High/Low
Aug	807 808 805 802
Oct	827 830 828 823
Dec	837 840 830 823
Mar	849 850 850 848
May	860 874 870 858
Jul	873 882 875
Turnover: 2887 (1307) lots of 5 tonnes	
ICO indicator price (US cents per pound) for Apr 2	
Comp. daily 51.73 52.05 15 day average 50.46	

COTTON - London POKE (\$ per tonne)	
Raw	Close Previous High/Low
Aug	279.00 264.80 267.20
Oct	267.00 248.80 245.00
White	Close Previous High/Low
Aug	299.50 299.00 303.00 297.50
Oct	305.00 306.50 310.00 304.50
Dec	302.50 295.00 298.00 292.00
Mar	301.30 291.50 291.50 291.40
May	291.50 292.00 292.00 292.00
Jul	295.00 295.00 295.00 295.00
Turnover: Raw 8 (in lots of 50 tonnes)	
White 1470 (1013) Pests: White (FF) per tonne	
May 1627.80 Aug 1687.44	

LONDON METAL EXCHANGE (Price supplied by AMM Official)	
Aluminium, 99.7% purity (\$ per tonne)	Close Previous High/Low
Cash	1117.5-8.5 1125.4 1147.1/138 1119.5-30.0
3 months	1140.5-1.5 1147.7.5 1142.3.5 1130.5-40
Copper, Grade A R per tonne	Close Previous High/Low
Cash	1285.5-2.5 1410.5-1.5 1281.5-2.0 1281.5-2.0
3 months	1415.5-1.5 1436.7 1429.1/115 1415.5-2.0
Lead (R per tonne)	Close Previous High/Low
Cash	273.4 273.4-5 273.4-5 273.4-5
3 months	283.3-5 283.3-5 287/283 283.3-5
Nickel (R per tonne)	Close Previous High/Low
Cash	6110-20 6110-20 6110-20 6110-20
3 months	6140-5 6140-5 6220/6160 6140-5
Timber (\$ per tonne)	Close Previous High/Low
Cash	5640-50 5640-50 5710/5685 5640-50
3 months	5700-50 5690-50 5710/5685 5690-50
Zinc, Special High Grade R per tonne	Close Previous High/Low
Cash	1001-2 867.4-1.5 1002-4 1015-4
3 months	1020-0.5 1009-7 1024/1008 1023-4
LME clearing R rates (USD/1000)	3 months: 1.5115 6 months: 1.5014 9 months: 1.4972

LONDON FUEL MARKET (Price supplied by M J Redcliffe)	
Gold (per tonne)	Close Previous High/Low
Crude	229.00-26.30
Operating	336.10-33.00
Mining R	339.35
Aluminium R	339.35
Day's high	340.00-340.00
Day's low	339.50-339.50
Loco Lbs (per tonne)	Close Previous High/Low
1 month	2.63 2.63 2.63 2.63
2 months	2.58 2.58 2.58 2.58
3 months	2.51 2.51 2.51 2.51
Silver R	395.00
Spot	254.20
3 months	257.75
6 months	261.45
12 months	266.30
Turnover 349 (158) lots of 20 tonnes	

## New York

ALL Ounces	Open	Close	Open Interest
1149.5-20.0			Total daily turnover 41,398 lots
1142-5.0	1139.5-4.0	158,428 lots	
		Total daily turnover 50,248 lots	
1391.5-0.0	1412-4.0	165,526 lots	
		Total daily turnover 3,518 lots	
273.5-5.5	283.5-4.5	19,659 lots	
282-3.5		Total daily turnover 2,704 lots	
6110-5	6180-5.0	44,164 lots	
6140-5		Total daily turnover 2,259 lots	
5650-5	5690-5.0	9,473 lots	
5700-5		Total daily turnover 8,867 lots	
1023-3	1015-6	68,218 lots	
Total turnover 1,5014			
9 months: 1,4887			

## New York

LD 100 troy oz. Silver			
Close	Previous	High/Low	
329.5	340.9	340.0	338.4
340.3	341.5	0	0
341.0	342.3	341.5	340.0
342.3	343.7	342.8	341.2
343.0	344.0	343.0	342.0
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

AMERICANS

Company	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594</
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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	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## FOREIGN EXCHANGES

## Dollar softens against DM

THE DOLLAR drifted down against the D-Mark yesterday as dealers continued to digest the poorer-than-expected US employment report released on Friday, writes James Blitz.

In very quiet trading in London yesterday, the dollar opened at about DM1.5980 against the D-Mark, having enjoyed a sharp rebound against the German currency last Friday afternoon.

The dollar closed in London at about DM1.5865, down more than 1¢ from Friday's close. In New York trading at lunchtime, the dollar was at DM1.5845.

Friday's non-farm payroll figure, showing a net drop in the month to March of 22,000, continued to leave dealers uncertain about the direction of the US economic recovery.

Mr Jeremy Hawkins, senior economic adviser at Bank of America, said that when the US employment data for the last three months were looked at as a whole, there were clear signs of an economic upturn in the US.

"In the first quarter of 1993, jobs were being created at the rate of 150,000 per month compared with 100,000 per month in the fourth quarter of 1992," he said.

## £ IN NEW YORK

	Apr 5	Apr 6	Apr 7
£ 1000	1,520.10	1,520.10	1,510.10
1 month	1,520.10	1,520.10	1,510.10
3 months	1,520.10	1,520.10	1,510.10
6 months	1,520.10	1,520.10	1,510.10
12 months	1,520.10	1,520.10	1,510.10

Forward premium and discount up to US dollar

## STERLING INDEX

	Apr 5	Apr 6	Apr 7
£ 100	79.8	79.8	79.8
1 month	79.8	79.8	79.8
3 months	79.8	79.8	79.8
6 months	79.8	79.8	79.8
12 months	79.8	79.8	79.8

## CURRENCY RATES

	Apr 5	Apr 6	Apr 7
US dollar	1.5865	1.5865	1.5865
1 month	1.5865	1.5865	1.5865
3 months	1.5865	1.5865	1.5865
6 months	1.5865	1.5865	1.5865
12 months	1.5865	1.5865	1.5865

## CURRENCY MOVEMENTS

	Apr 5	Apr 6	Apr 7
US dollar	1.5865	1.5865	1.5865
1 month	1.5865	1.5865	1.5865
3 months	1.5865	1.5865	1.5865
6 months	1.5865	1.5865	1.5865
12 months	1.5865	1.5865	1.5865

## OTHER CURRENCIES

	Apr 5	Apr 6	Apr 7
US dollar	1.5865	1.5865	1.5865
1 month	1.5865	1.5865	1.5865
3 months	1.5865	1.5865	1.5865
6 months	1.5865	1.5865	1.5865
12 months	1.5865	1.5865	1.5865

## MONEY MARKETS

	Apr 5	Apr 6	Apr 7
US dollar	1.5865	1.5865	1.5865
1 month	1.5865	1.5865	1.5865
3 months	1.5865	1.5865	1.5865
6 months	1.5865	1.5865	1.5865
12 months	1.5865	1.5865	1.5865

## French rates unchanged

ONE-MONTH interest rates in the French cash market were a little firmer yesterday lunchtime after the Bank of France decided to leave its intervention rate unchanged, writes James Blitz.

One week into the lifetime of the new French government, there were strong expectations that the authorities in Paris would ease monetary policy to stimulate the French economy.

UK clearing bank base lending rate 6 per cent from January 26, 1993

However, the Bank of France left its intervention rate unchanged at 8.10 per cent. As a result, 1-month cash firmed slightly from about 10.30 per cent at the start of the day to about 10.35 per cent.

It later fell back to a level that was more-or-less unchanged on the day as the French franc rose to a close of FF13.391 against the D-Mark in London.

Some analysts were baffled as to why the French authorities were leaving official policy on hold, because the domestic pressures on the new French government to ease policy are getting greater all the time.

Mr Jonathan Hoffman, director of Economics at Credit Suisse First Boston, said there was a striking dichotomy

between the confidence of the new French administration and the uncertainty of the financial sector, which was crying out for lower interest rates.

Mr Hoffman said that the recent end-of-year results of the major French banks underlined how painful it had become for them to borrow wholesale cash at high interest rates without passing these costs on to the retail sector.

Last week, for example, Credit Lyonnais announced a net loss of FF1.55bn for 1992.

A problem for the French authorities is that they cannot be sure about the speed with which short term German rates are coming down.

The market appears to expect that the Bundesbank will ease the rate at which it offers wholesale funds to German commercial banks this week, but they cannot be sure.

In the sterling cash market, short dated rates firmed as dealers found it difficult to remove a £1.75bn shortage forecast by the Bank of England.

Three-month money closed at 5 1/2 per cent last night having been at 5 per cent on Friday evening. Overnight money traded at 8 1/2 per cent before lunchtime, when £1.2bn of the shortage had still not been removed. There was late assistance of £275m.

However, Mr Mark Austin of Midland Global Markets took a more pessimistic view of the dollar's prospects. In his weekly report, he said that the payroll data were disappointing and would set the tone for all the March economic data coming out this month.

He also believed that the dollar's rebound on Friday afternoon was options related, and probably squeezed out short dollar positions from the market. "The weaker tone shown by the dollar this morning seems likely to continue," he said yesterday.

An additional reason for uncertainty on the dollar was continuing disappointment about the speed of German interest rate cuts.

Some dealers appeared to expect that the Bundesbank would ease the rate at which it offers wholesale funds to German commercial banks - the repo rate - this week. But, with German call money yes-

terday trading at around 8.33 per cent, it would be hard for the Bundesbank to bring the repo rate much below the current lowest accepted rate of 8.17 per cent, for fear of triggering "round tripping" by the banks.

This factor continued to keep the D-Mark strong in Europe. The lira, in particular, weakened sharply against the German currency at the start of trading, on news that police investigations into Mr Giulio Andreotti, the former Italian prime minister, were broadening.

The lira touched the 1993 level against the German currency at the start of the European morning but later closed higher at 1993.8.

However, the French franc appreciated to a close of FF13.391 against the D-Mark from Friday's close of FF13.398. The Bank of France's decision not to lower its intervention rate, as some dealers had expected, supported the franc.

Estimated volume last, Call 235 Pts 2706  
Previous day's open, Call 2172 Pts 2560

Estimated volume last, Call 4707 Pts 2225  
Previous day's open, Call 10130 Pts 6810

Estimated volume last, Call 230 Pts 229  
Previous day's open, Call 12568 Pts 6231

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## FINANCIAL FUTURES AND OPTIONS

	Apr 5	Apr 6	Apr 7
US dollar	1.5865	1.5865	1.5865
1 month	1.5865	1.5865	1.5865
3 months	1.5865	1.5865	1.5865
6 months	1.5865	1.5865	1.5865
12 months	1.5865	1.5865	1.5865

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	Apr. 5	Overnight	1m Month	M
ankfun		8.15-8.25	8.20-8.30	8.0
rie		10 <sup>1</sup> / <sub>2</sub> -10 <sup>1</sup> / <sub>2</sub>	10 <sup>1</sup> / <sub>4</sub> -10 <sup>1</sup> / <sub>2</sub>	
rich		5 <sup>1</sup> / <sub>2</sub> -5 <sup>1</sup> / <sub>2</sub>	5 <sup>1</sup> / <sub>2</sub> -5 <sup>1</sup> / <sub>2</sub>	
ndardam		7.87-8.00	7.85-7.90	
kyo		3 <sup>1</sup> / <sub>2</sub> -3 <sup>1</sup> / <sub>2</sub>	-	
lian		11 <sup>1</sup> / <sub>2</sub> -12 <sup>1</sup> / <sub>2</sub>	12	
ussels		-	8 <sup>1</sup> / <sub>2</sub> -8 <sup>1</sup> / <sub>2</sub>	



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**NASDAQ NATIONAL MARKET**

Co	Din.	P/ Sto			
		E 100s	High	Low	Last Chng
Co	12	3601	32 $\frac{3}{4}$	30 $\frac{1}{2}$	32 $\frac{3}{4}$ +2 $\frac{1}{4}$

[illegible]

Handing A	20	59	9	8 1/4	8 1/2	
Handed	0.55	14	124	31	29 1/2	30 1/2 + 1/2

Int +	0.42	39	26	30	29	30	-3
Age	1.88	66	66	66	66	66	-3
Age Squ	0.0018	4	59	59	59	59	-3
Open	.35	2333	0	14	13	14	-8
Open Squ	0.28	20	2045	0	74	8	-3
Gender	.221	1058	0	12	9	9	-4
Gender Squ	.11	182	16	164	164	164	-4
Unemploy	0.00	17	173	45	44	44	-3
Unemploy Squ	.20	91	91	24	24	24	-3
Unemploy Int	8	108	102	7	7	7	-3
Unemploy Age	1.75	15	18	40	40	40	-2
Unemploy Age Squ	.26	4968	20	13	19	19	-1
Unemploy Age Int	0.04	19	2700	23	23	23	-4

**- U -**

Interact	0.02	23	6733	434	413	482	-3
Interact Squ	17	228	64	57	57	-1	
Interact Age	0.08	16	107	174	174	174	-3
Interact Age Squ	1.2	136	145	104	104	104	-3
Interact Age Int	0.20	20	287	184	184	184	-2
Interact Age Int Squ	1.8	120	121	204	212	212	-3
Interact Age Int Int	1.20	13	363	424	414	424	-3
Interact Age Int Int Squ	0.78	12	12	20	25	25	-3
Interact Age Int Int Int	47	16	33	24	24	24	-4
Interact Age Int Int Int Squ	0.32	42	289	91	84	94	-3
Interact Age Int Int Int Int	17	17	104	104	104	104	-3
Interact Age Int Int Int Int Squ	30	17	102	314	314	314	-3
Interact Age Int Int Int Int Int	18	52	41	43	43	43	-3

**- V -**

Unemploy Int	43	288	108	80	82	88	-2
Unemploy Int Squ	0.26	18	97	21	21	21	-3
Unemploy Int Age	21	22	222	22	22	22	-3
Unemploy Int Age Squ	22	133	23	23	23	23	-3

Karl Capp for further details on Frankfurt Tel: 0130 5351, Fax: 069 596448

\_\_\_\_\_

# FINANCIAL

...battle ends with something for everyone

Perrier bottling

*[The page contains extremely faint, illegible text.]*

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1. *Journal of the American Medical Association*, 1997; 277: 1039-1043.

[illegible]



